



# GLAND PHARMA LIMITED

May 29, 2024

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(East), Mumbai - 400 051  
Symbol: GLAND (ISIN: INE068V01023)

Dear Sir/Madam,

**Sub: Earnings call Transcript- Q4FY24**

Please find enclosed the transcript of the Earnings call for Q4FY24 of the Company held on Wednesday, May 22, 2024, at 18.00 Hrs. IST. This will also be available on the Company's website and the web link to access the same is <https://glandpharma.com/investors/financials>

This is for your information and records.

Yours truly,  
**For Gland Pharma Limited**

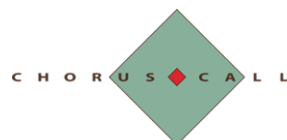
**Sampath Kumar Pallerlamudi**  
**Company Secretary and Compliance Officer**

**Encl:** As above



“Gland Pharma Limited  
Q4 and FY'24 Earnings Conference Call”

May 22, 2024



**MANAGEMENT: MR. SRINIVAS SADU – MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER – GLAND PHARMA  
LIMITED  
MR. ALAIN KIRCHMEYER – CHIEF EXECUTIVE  
OFFICER – CENEXI  
MR. RAVI MITRA – CHIEF FINANCIAL OFFICER –  
GLAND PHARMA LIMITED  
MR. ANKIT GUPTA – HEAD INVESTMENTS, M&A AND  
CORPORATE STRATEGY – GLAND PHARMA LIMITED**



**Moderator:**

Ladies and gentlemen, good day, and welcome to Gland Pharma Limited Q4 and FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ankit. Thank you, and over to you, sir.

**Ankit Gupta:**

Thank you, Nirav. Good evening, everyone, and we welcome you to Gland Pharma Earnings Conference Call for Q4 and FY'24. My name is Ankit and I Head Investments, M&A and Corporate Strategy at Gland. Joining me today are Mr. Srinivas Sadu, our MD and CEO; Mr. Ravi Mitra, our CFO; and we also have today, Mr. Alain Kirchmeyer, the CEO of Cenexi; our European CDMO business. Together today, we'll discuss our business performance and address any questions that you may have.

We'll begin with the business highlights on Gland and Cenexi from Mr. Sadu followed by an overview on Cenexi and the turnaround strategy from Mr. Alain and lastly, the group financial review by Mr. Ravi.

Before we proceed, I'd like to remind everyone that some of the statements made today may be forward-looking and based on the current estimates we have with management. These statements should be considered in light of the risk associated with our business. Please note that the call is being recorded, and the playback would be made available today, and the transcript would be available within this week.

With that, I hand over the call to Mr. Sadu for his opening remarks. Thank you. Over to you, Mr. Sadu.

**Srinivas Sadu:**

Thank you Ankit. Good evening, everyone, and thank you for joining us for Gland Pharma's Fourth Quarter and Fiscal Year 2024 Earnings Call. This past year has been positive for Gland, marked by the significant rebound of our core business and the exciting new chapter we have begun with our first international acquisition of Cenexi in Europe.

Despite the evolving business environment, we have demonstrated resilience and delivered a performance that exceeds last year's results and sets the stage for continued growth and success in the years to come. Let's turn into our fourth quarter consolidated performance. Gland achieved revenues of INR15,375 million in Q4 FY '24, a remarkable 96% increase compared to Q4 FY '23. Not only did our recent acquisition of Cenexi contributed to this growth, but our base business also continued to grow. It highlights the ongoing strength of our core business, driven by a sustained market leadership of our key injectables and the successful introduction of new products.

Notably, our EBITDA for the quarter rose to INR3,587 million, a significant improvement over the INR1,684 million reported in Q4 FY '23. Our base business operations, excluding Cenexi, experienced substantial growth in Q4 FY '24. Revenues reached INR11,737 million, a significant 50% increase compared to the same period last year. Profitability also showed with EBITDA margins hitting 37%, a 16% point improvement year-over-year.



Shifting our attention to the full FY '24. Our consolidated revenues reached INR56,647 million, a substantial 56% increase compared to the previous year. While the integration of Cenexi played an important role in growth, we also experienced strong momentum throughout the year in our base business, growing by 15%, driven by new product launches, successful relaunches, and the continued market dominance of leading products.

Our consolidated EBITDA of FY '24 amounted to INR13,331 million, up from INR10,248 million in FY '23. Our consolidated EBITDA margins for the year were at 24% and were impacted by the inclusion of Cenexi, which is still in the process of reaching its optimal performance level. However, for the full FY '24, our base business EBITDA totalled INR14,142 million, a 38% increase from the previous year. Base EBITDA margins for the entire year also saw impressive growth, reaching 34%, a 6 percentage point increase compared to FY '23.

The Board of Gland Pharma is pleased to recommend its first ever dividend to shareholders post listing. The Board recommends a final dividend of 2,000%, equivalent to INR20 per equity share for the fiscal year ending March 31, 2024, subject to the approval of our shareholders.

In terms of our geographic performance, our core markets achieved 59% revenue growth in FY '24 and now represents 75% of our total revenues. We successfully introduced our 50+ new molecules to the market throughout the year, including Regadenoson, Ganirelix, Doxycycline, Octreotide Acetate, Carboprost and Ketamine. These launches included 30+ relaunched molecules that were temporarily unavailable due to challenges with some partners. Excluding Cenexi, the base business in core markets grew by 21%.

Our key products in Enoxaparin Sodium, Cisplatin, Lacosamide, Rocuronium Bromide, Zoledronic Acid and Vancomycin continue to demonstrate strong growth, and we haven't observed any major price-related fluctuations. Looking ahead, we remain optimistic about the potential in these markets. We are confident in our ability to maintain our competitive edge through ongoing compliance, cost leadership, scale and our diverse portfolio of offerings.

Our core markets outside the US saw a significant boost from the Cenexi acquisition, achieving 3x growth in the fiscal year. We have been actively working to identify and capitalize on synergies with Cenexi while also expanding our base portfolio in these markets with products already approved in the US.

The rest of the world markets accounted for 20% of our revenue in FY '24, an increase of 63% from FY '23. This increase was primarily driven by Cenexi volumes. We have seen positive traction for some of our products in this market, and we anticipate significant growth in the businesses we have recently established over the next 2 to 3 years.

In contrast, the Indian market contributed 5% of our revenue in FY '24, and we are currently evaluating strategic options to develop a well-considered future plan for this market.

Turning our focus to research and development, our total R&D expenses for Q4 FY'24 were INR 436 million. We filed four ANDAs during the quarter and received approval for six ANDAs. For the full FY'24, R&D expenses amount to INR 1,773 million, representing 4.3% of our base business revenue. We filed 19 ANDAs throughout the year and received approval for



24 ANDAs. As of March 31, 2024, Gland and its partner had filed 349 ANDAs in the United States with 286 approved and 63 pending approvals. The company currently holds 1,667 product registrations worldwide.

While our progress in the Chinese market has reached lower than anticipated, we have filed nine products so far, of which three have been approved. We have commercialized one product, but its contribution has not yet been substantial. We are actively collaborating with Fosun to reassess our approach, identify strategies to achieve more significant success in China, a vast market with considerable potential.

Regarding complex injectables, we targeted to develop 19 molecules addressing a market size worth USD 9 billion as per IQVIA. To date, we have received six approvals, of which four products have been launched. We recently launched Eribulin as our first major complex product in this category. The next two years will be crucial for realizing meaningful results from our complex product portfolio. We are also exploring potential acquisitions, co-development and in-licensing opportunities to accelerate our growth and strengthen our position in this segment.

While biologics represents a long-term play, our immediate priority is to obtain regulatory approvals for our facilities through our existing business and potential near-term wins. Overall, biologics remain a key driver for our future growth.

This has been a good year for quality and operations with over 40 successful audits completed, including those who are regulators and partners. All of our sites are operating smoothly, are in a state of control with establishment inspection reports already received. We remain committed to maintaining compliance as a core pillar of our strategy, ensuring its deeply ingrained in our culture and every business decision. Before I wrap up, let's discuss Cenexi in more detail. Alain, Cenexi's CEO, will provide a roadmap for our turnaround strategy. Before handing it over to him, I would like to share key points.

In Q4 FY'24, Cenexi recorded revenue of INR3,637 million, with a gross contribution of 77% and a negative EBITDA of INR720 million. For the 11 months of FY'24, revenue totalled INR14,878 million with a gross margin of 76% and a negative EBITDA of INR812 million.

The quarter's revenue decline of 18% was primarily due to operational disruptions, which led to our backlog of orders. Additionally, there was a delay in executing the tech transfer for the new business, which was intended to replace the phasing-out business. We're actively investing in capacity expansion, capability enhancement and optimizing our filling and packaging lines to ensure consistent execution. Our long-term turnaround plan also addresses critical areas like hiring needs, operational excellence, supply chain efficiency and integrating value-adding technologies.

While achieving the full potential of the acquisition has been delayed by a few quarters, the thesis behind the acquisition is intact and we remain confident in Cenexi strong medium to long-term outlook. We are committed to maximizing this business strategic value with a healthy order book, a strong customer base, many tech transfer projects and promising growth opportunities.



With that, I'll turn the call over to Alain, the CEO of Cenexi, who would share insights into the company's progress and strategy. Thank you all for your attention. Over to you, Alain.

**Alain Kirchmeyer:**

Thanks, Sadu. Good evening, everyone. My name is Alain Kirchmeyer. I took over as the Cenexi CEO and President in February this year. I'm happy to be in India and participate in this investor call for Gland Pharma Limited, our parent company.

At this pivotal juncture for Cenexi, I am confident that we can leverage our industry expertise and the strong support of Gland and Fosun to capitalize on significant opportunities and establish ourselves as a leading CDMO in the European market.

While the road ahead will demand focus, the groundwork is in place for us to achieve this ambitious goal and become the group's flagship CDMO company. As Sadu highlighted, Cenexi is navigating a transitional period, and our performance is affected by near-term operational challenges. While the business long-term potential is substantial, we must overcome these hurdles to achieve our goals sustainably.

With Gland's operational and financial support, we have initiated a comprehensive plan outlining detailed short-term, medium-term and long-term goals to address these challenges as detailed in the earnings presentation shared with you all. We are actively investing in asset upgrades, capacity rebalancing and developing future-ready capabilities that align with the evolving CDMO market demands and will drive Cenexi towards higher-margin business.

In the short-term, we are implementing a plan to maximize the site utilization through extra shifts, enabling us to normalize the order backlog. We have enlisted third-party support to optimize preventive maintenance and changeovers and minimize downtime. These measures will increase output from existing capacity and mitigate revenue decline.

In the medium-term, we will address line level utilization challenges by moving some high-volume products within sites, enhancing flexibility, reducing format changes and ensuring timely and efficient service. Additionally, we are accelerating technology transfer projects for faster new product launches, driving increased turnover.

We are adding one new high-speed ampoule line in our Fosun plant and evaluating further capacity increases for prefilled syringes. We are also transitioning towards a leaner centralized corporate structure to streamline decision-making, reduce redundancies, boost agility and foster a unified Cenexi culture.

From a business development perspective, we are actively engaging with partners on a high-margin, complex projects in biologics, complex generics, and NDAs while leveraging the combined strength of Gland and Cenexi for enhanced market positioning. We also identified cross-selling opportunities and increased wallet share with our partners by mapping our customer base.

Additionally, we are engaging in discussions with existing partners to optimize pricing and ensure profitability. In the long term, we envision Cenexi as one of the most advanced CDMOs, capable of offering a wide range of sterile injectables and consistently delivering high margins



and profitability. Clearly, our immediate goal is to bring Cenexi back to profitability and in the medium to long term, deliver high-teen margins.

Thank you. I will now turn the call over to Ravi to discuss Gland and Cenexi's financial performance. Ravi, please proceed.

**Ravi Mitra:**

Thank you, Alain. Good evening, everyone. I trust you have had the opportunity to review our financial results, investor presentation and the press release we shared through the stock exchanges.

Let me begin with an overview of our performance this quarter and the full year. Our business has demonstrated strength contributing to a 96% year-over-year surge in revenue from operations and amounting to INR15,375 million in Q4 FY'24. This robust performance, coupled with the successful integration of consolidated revenue from our recent acquisition of Cenexi, has propelled our total revenue for the fiscal year FY'24 to INR56,647 million, a significant 56% increase compared to the previous year. The revenue, excluding Cenexi, also grew by 50% in Q4 FY'24 on a year-on-year basis and 15% in FY'24.

Other income for Q4 FY'24 reached INR421 million, primarily consisting of interest and fixed deposits. This represents an increase compared to Q4 FY'23, which saw INR389 million in other income due to positive forex movement. For FY'24, total other income amounting to INR1,702 million, this figure is lower compared to FY'23 due to lower interest earned on fixed deposits and lower foreign exchange gains from operations.

Our gross margin for Q4 FY'24 reached 61%, a notable improvement from the 54% recorded in Q4 FY'23. Cenexi's high gross margin profile primarily drove this year-over-year enhancement in gross margin. Additionally, we are pleased to report that our base business also experienced an improvement in gross margin to 56% compared to the previous year.

In Q4 FY '24, we achieved an EBITDA of INR3,587 million, a 113% increase compared to the INR1,684 million reported in the same quarter of the previous financial year. Our EBITDA margin for Q4 FY '24 stood at 23%, up from 21% last year. For FY '24, our EBITDA reached INR13,331 million, a 30% increase compared to INR10,248 million in the previous financial year. However, the EBITDA margin for FY '24 was 24% lower than the 28% reported in the last year, due to the consolidation of Cenexi. We are actively implementing corrective measures to ensure Cenexi's business rebounds to its expected margin levels. In contrast, our base business, excluding Cenexi, achieved an improved EBITDA margin of 37% in Q4 FY '24, significantly higher than the 21% reported in the same period of the previous year. For FY '24, the EBITDA margin of our base business stood at 34% compared to 28% in FY '23.

Our net profit of PAT for Q4 FY '24 increased substantially by 145% year-over-year compared to Q4 FY '23, reaching INR1,924 million. For the full FY '24, our PAT amounted to INR7,725 million. Although this marks a slight 1% decline compared to the previous year. It's important to note that this was achieved despite losses at Cenexi, which were offset by significant growth in profitability from our base business.



Our PAT margin for Q4 FY '24 was 13% and 14% for FY '24. Notably, our base business, excluding Cenexi, achieved a significant improvement in PAT margin, reaching 25% for FY '24 compared to 22% in the previous year.

Total R&D expense for FY '24 amounted to INR1,773 million against INR2,014 million in FY '23. This represents 4% of our revenue from operations, excluding Cenexi.

On a stand-alone basis, our effective tax rate was 26% in the fourth quarter and for 12 months of the current fiscal year. On a consolidated basis, the ETR went up to 35% in Q4 FY '24 due to the absence of a deferred tax asset at Cenexi for the PBT losses during the year.

As of March 31, 2024, our total cash and equivalents on a group level stood at INR24,953 million. However, considering the outstanding loans on Cenexi's books, our net cash position was lower at INR21,756 million. During the 12 months ended March 31, 2024, we generated INR9,968 million in cash flow from operations. As of March 31, '24, net working capital was at INR24,074 million FY '24, compared to INR24,010 million FY '23. The net working capital remained flat despite increased revenue due to a decreased inventory level.

Our average cash conversion cycle improved, reaching 169 days for FY '24 compared to 256 days in FY '23. We invested INR3,975 million in capital expenditures during the current fiscal year. Of this amount, INR2,368 million was spent on upgrading and setting up production lines and routine maintenance at our facilities in India. Balance of capex spend at Cenexi will positively impact performance to reduce downtime and lower maintenance cost.

With that, I will turn the call over to the moderator to open the floor for questions and answers.

- Moderator:** The first question is from the line of Saion Mukherjee from Nomura. Please go ahead.
- Saion Mukherjee:** Thanks for taking my question. Just wanted to check on Cenexi. So from the current level to breakeven to high teens, what's the timeline and please give some more granular details on the key milestones that you should look out for as far as EBITDA margin improvement is concerned with the timelines please?
- Alain Kirchmeyer:** So, our goal to reach high-teen margins is a mid to long-term goal. And there are a number of actions that we have to take. The first one, as you've seen in the presentation is to fix our operational issues and improve our operational results. The second one is to speed up our tech transfers to our HSE site in France. And of course, continue on all the business development actions that have already been initiated to gain new customers. And for that, we need, of course, to invest in new capex to increase our capacity.
- Saion Mukherjee:** How should we think about Cenexi EBITDA for next fiscal and the year after that and I just want to understand what's the mid- to long-term timeline means here. if you can guide for FY '25 and '26 on the margins?
- Alain Kirchmeyer:** we're looking here at mid to long term goal, meaning typically 1 to 2 years.





**Saion Mukherjee:**

Question on the base business, We have seen a very strong recovery here in the U.S. and other markets growing EBITDA margin getting to 37%, how should we think about this number going forward. We're seeing good traction. Maybe you will have more products on the partnerships coming in? How should we think about EBITDA margin, gross margins as the business kind of stabilizes and goes from here?

**Srinivas Sadu:**

Yes. I think the pricing wise it's kind of stabilized. If you see year-on-year, its price is almost same, I would say, 1% negative, but it's almost same. But with the relaunches what we have done, what we have lost last year, everything got re-launched, so that kind of brought back the volumes. So, the combination of our new product launches and relaunches which is 17% that has got back the numbers what we have.

In addition to that, if you look at our top 10 products, almost 8 products have grown substantially, including Enoxaparin we got the contracts back what we have lost earlier. We're aggressively pricing and we did several things to work on the cost, So, it could get a few major contracts back. So the growth on those are almost like 2x to 3x. And we were, of course, the Enoxaparin business, we are always saying it was a temporary, they were not taking up.

So, to see what we have done in the last 2 quarters and the first 2 quarters is completely different. And so, we're headed back to what we've been guiding the market in terms of volumes in 19 or 20 million syringes and we're also looking at a bit higher opportunities as well. So, a lot of products are took actually what the market share what we had earlier and become strong.

So, kind of confident on those because we kind of got back the GPO contracts. And the margins are also kind of stabilized the regulatory landscape, what's in the market? So that also helped us in some of oncology products. We've got a good market share, products like platins so that way, the base business is improving. Yes, I would say it's more stabilized now.

**Saion Mukherjee:**

So, sir, now the run rate that you have in the base business in the U.S. So, is that stable? How much can it grow? And on top of that you will have new launches, if we can just talk about the headroom that's available with all the disruptions and your recovery from what we have seen in this quarter?

**Srinivas Sadu:**

So, we kind of guided last time also. I think we still want to stick to that about 14 to 15% growth rate on an annual basis, combination of the base and the new launches for them and because now it's a larger base. So, we want to stick to that.

**Saion Mukherjee:**

Okay. So just I can ask one last question. What is the milestone and profit share numbers that you can share for fourth quarter and for full year?

**Srinivas Sadu:**

It's in the similar range, 2%, 3% this way that way. What you have to understand, we're also doing now some complex products. So, milestones will be a little higher than earlier. So probably a couple of percentage. But otherwise, on an annual basis, still it's in similar range.

**Moderator:**

Thank you. Next question is from the line of Amey Chalke from JM Financial Services. Please go ahead.



**Amey Chalke:**

Congratulations to the management for good set of numbers. So, the first question I have is related to FY '25 outlook. Like this year, we are seeing a good amount of contribution coming in from the new product launches, are we expected to replenish the similar kind of sales from the new products next year? Because I expect there would be some price erosion happening, which could be substantial for the new products which have been launched last year.

And the second question I have related to this is, generally, when we have CRAMS players supplying the products, we see the fluctuate of volatility in the contracts. So, if we have seen a good amount of ramp-up this year, do you expect that similar kind of contracts to get repeated next year? Or you think the inventory adjustment could happen, that could brag the growth a bit in next year?

**Srinivas Sadu:**

Yes. So, when you're saying new launches, I did mention that a lot of these are relaunches with over 30 plus molecules relaunched what we lost last year because of the Athenex and Alvogen exit in the market. So that got relaunched. So kind of got back the product volumes what we lost. So, it's not like these are new products where the pricing erosion will happen because it's already like very generic products where it's already kind of settled.

So new products that we launched in terms of the entire business what we have grown, does not impact that much in the scheme of things in terms of new launches, how much it has contributed to the growth.

The other question about the contracts, a lot of contracts what we signed recently; it is the second part of the year also. So, if you actually annualize it, the volumes have increased because we signed some in last quarter, some in the previous quarter also. So, it's actually not the annualized numbers. That should have stabilized as you said, initially, there will be a higher offtake because they also fill the pipeline. But we need to consider that if you see the numbers, it's going up from third quarter to fourth quarter. So, most of the these contracts are signed and getting launched those quarters as well.

So even now some are still not yet launched. So that way, once you annualize it, I think it should balance the whatever you're talking about the initial uptake.

**Amey Chalke:**

Sure. The other question I have is on the biologics. It's been while since we had acquired this unit, what steps we have taken to ramp up our position in this space and how we can improve the utilization of this unit?

**Srinivas Sadu:**

Yes, the efforts are there, small projects we are doing, but biologics normally takes a longer time compared to others. And in last one year, so many headwinds on different aspects. The focus was how to get the base business back and lot of efforts went into that in terms of how we need to reduce our costs and be more competitive. And also, the exact situation in the US a lot of funding has stopped. And whenever you have a new asset, especially guys entering the biologic space, you need to work with the smaller development companies where the funding has stopped.

So, efforts are there and continued discussions are happening. So that will be, I would say, it's a slow process, but we have to stay there because, on the CDMO side, that's the area we want to



grow in the near future. So currently, it's more on technical side and skill development of people strengthening that's what we are focusing on. And I think that's once you have that, everything else will follow.

**Moderator:** Next question is from the line of Bino from Elara Capital.

**Bino:** A couple of questions. One, could you comment a bit on the opportunity in this Eribulin product as I see you are the only approved generic in the market? Do you expect competition near term?

**Srinivas Sadu:** It's around \$170 million, \$180 million product, and we are the first one to launch. And we just launched last month, so we have to see how the market behaves, because a couple of people have filed it. We don't know the status of approvals yet and we are not aware what stage they are in. But generally, when you are the first in line you tend to get the contract. So, we're just hoping good results from the market. But just to give you a number, it's too early, I would say.

**Bino:** Okay. So, a normal assumption would be over the next 6 to 18 months you may see one or two more entrants in the market?

**Srinivas Sadu:** I can't really comment on somebody's filing, but you can see in the next 6 months or 12 months, I'm not sure.

**Bino:** Understood. Second, if I remember last year, there was a plant shutdown in Cenexi during summer holidays. Is that a routine thing? Or will that happen this year as well? And which months would that be?

**Srinivas Sadu:** I think I did mention in the last call that we are trying to invest in a new line. So the plan is that we're pushing the supplier to get that line before that shutdown happens so that we can utilize that time for the installation of the line. So that once these lines get added, then we can have additional capacity where today we're struggling. Today, the issue is not orders. We have EUR20 million to EUR25 million orders of backlog and the consent is the capacity. So I would say that's the steps we are taking so that we can install this new line in no time.

**Bino:** Okay. So, shutdown is happening? Which months would that be?

**Srinivas Sadu:** That's August.

**Bino:** That's August. Okay. And last, just one question on tax rate. This year, the overall consolidated tax rate has come to 35%. It's a big jump over the last few years. So, the consolidated tax rate, we are looking forward to in the next 2 or 3 years?

**Ravi Mitra:** So currently, the 35% is because there is no negative tax or deferred tax asset created at Cenexi level because of the losses. However, the normal tax rate at Cenexi is 27% in France. So, the time it starts to be at PBT positive level, this tax rate which really come down.

**Moderator:** Next question is from the line of Charul Agrawal from Bank of America.



- Charul Agrawal:** Sir, my first question is on US revenue medium-term growth. So, when we think about the ramp-up of US base from here, how do we look at it in terms of drivers? How much of it would come from new product launches versus adding partners in the existing product?
- Srinivas Sadu:** Our large base, we still see 3% to 4% coming from pure new launches and some from the relaunches. So normally, it's around 10% to 11% is the growth we get from the launches, combination of relaunches and purely new products.
- Charul Agrawal:** Okay. So, the other proportion is, is it basically expanding market share from the current partners itself? Or do we see scope of adding new partners in the products that we have?
- Srinivas Sadu:** It's a combination of both. So basically, you want to increase your market share when you add up both sides. So it's a combination of both, but mostly getting into some contracted situations just like I said, some we have entered a large product into the contract, which gets annualized. The growth will come from those markets also. So, whenever these GPO contracts are opening up, we are focusing on how to get those contracts.
- Charul Agrawal:** Okay. Sir, my next question is on Cenexi. So, this quarter, we have seen higher costs for the business. So, going ahead, how do we see the cost from this level? Do we expect to incur additional costs over this? Or can we see this as the base?
- Ravi Mitra:** So, this cost related to typically maintenance will come down. And we expect there would be a lower cost base in actual terms also, as we complete our expansion, and the volume growth and fixed cost gets more utilized. So, on a percentage basis and as well as absolute term, we would expect the cost to be lower than today. Of course, there will be certain inflation to counter that.
- Charul Agrawal:** Sir, this would start reflecting from the next quarter as well? Or do you expect this to happen a few more quarters down the line?
- Ravi Mitra:** It will take a few more quarters because as Mr. Sadu just explaining that there is going to be a new line, the high-speed line, which is being installed in September quarter. And post that, we would expect the volume to grow.
- Charul Agrawal:** Okay. So, the absolute cost as well will happen after the September quarter? Or is it the revenue ramp-up that you are saying will happen after the September quarter?
- Ravi Mitra:** No. So, September quarter, the installation will start and then it will take a quarter or so to start the commercial and ramp up to happen.
- Alain Kirchmeyer:** So, we are expecting an impact to Q1 or Q2 next year, depending on how the ramp-up goes.
- Moderator:** Next question is from the line of Shyam Srinivasan from Goldman Sachs.
- Shyam Srinivasan:** First one is on Cenexi. For the 11 months, I think in euro terms, we have done a revenue of Euro 166 million, I'm just annualizing it for the 12 months, it's around 180 million and maybe I'm wrong. But this used to be a 200 million run rate. So is the 20 million, is that the lost opportunity that we have seen because of some of the challenges. And for the quarter, I think it came at



EUR40 million. So just if you could help us quantify what is the missing part that should have rightly come through this quarter and may actually flow through potential in the future?

**Srinivas Sadu:**

So, like you mentioned, about 20 million is the backlog orders we have in other than the supply because of the operational issues we are facing. So that itself should cover the difference what you mentioned. So, it's a slow ramp-up of EUR 40 million could be the base and we'll see a slow ramp-up of the revenue. And any revenue add, if you're seeing the gross margin of 77%, it just slows down to the bottom line. So, the initial focus now is how to make it more efficient line so that we also will increase that we can make more supplies then the top line increases automatically flows down and then work on the new lines in parallel.

So, we have unlike Gland where we have we put up a new line, we have space and then we remove the line with transfer products. We don't have that flexibility there. We have to work on. because the capacity is 100% utilized today, several lines where the demand is high. So, we have to partially take some actions so that it did not impact the running business. At the same time, install lines and newer machinery so that it helps to grow the business. So, it's a little different volume compared to what we do here.

**Shyam Srinivasan:**

Sorry, I'm unable to understand. So, I get the 20 million order backlog, but should we look at quarter 1, quarter 2, quarter 3, when we look next fiscal for Cenexi, is it the 40 million run rate is what we think we can do or there's a ramp at some point of time?

**Srinivas Sadu:**

It will ramp up slowly. It could be some it could be from Euro 40 million, it might go to 43 and 45, something like that.

**Shyam Srinivasan:**

Yes. And at what time, when we reach the 50 million run rate quarterly, I'm just sorry, I'm looking at historical numbers, that's when we reached whatever the pre-acquisition run rate of over EUR200 million is when we'll potentially get the EBITDA margin to be positive. Would that be fair?

**Srinivas Sadu:**

Around 3 quarters to get to that 50 million quarter number.

**Shyam Srinivasan:**

Okay. And at that pace, at 50 million, we should be having positive EBITDA. I'm not asking you to quantify any specific margin number. But do you think that is where?

**Srinivas Sadu:**

Yes, that's correct.

**Shyam Srinivasan:**

Okay. Second question is just on the whole shortages scenario in the US. Some of the data external IQVIA data seems to suggest it's that a multi-decadal high. So, what are some of the benefits that we may have accrued? Do we benefit from it? In the past, Mr. Sadu you've told us it's very cyclical. So, it may come some years, goes away some years.

But do you think, given the focus on trying to reduce shortages, could this be a sustainable advantage longer than usual? And when we look at the margins of 37% for the quarter. Is there an element of shortages that is helping us reach there?



**Srinivas Sadu:**

I wonder maybe shortages at least for this quarter which has helped, that this shortage has been happening for many years and with more regulatory issues in the recent past that have increased. It's very difficult to say when it will go away and on the oncology side, we did get benefit out of it. Earlier, we were not competitive enough to compete in that space.

But because of the shortages, we did get benefit of certain products for sure. But timing-wise, I can't really say how long this will stay. But historically, consistently you saw the shortages in the US market. And that's a combination of how many people want to actually sell this product because the margins are low and being only injectable we stay there.

**Shyam Srinivasan:**

Thank you and all the best. Thank you.

**Moderator:**

Thank you very much. As there are no further questions, I'll now hand it back to Ankit sir, for closing comments.

**Ankit Gupta:**

Thank you, everyone, for joining today. We appreciate your participation. If there are some questions that are not still answered, you can reach out to us. Thank you, once again, looking forward to host you again next quarter.

**Moderator:**

Thank you very much. On behalf of Gland Pharma, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

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