



“Glenmark Pharmaceuticals Limited Q1 FY'24 Earnings Conference Call”

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Moderator: Good morning, ladies and gentlemen. Welcome to the Q1 FY'24 Earnings Conference Call of Glenmark Pharmaceuticals Limited.

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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Utkarsh Gandhi - General Manager, Investor Relations for Glenmark Pharmaceuticals. Thank you, and over to you sir.

Utkarsh Gandhi: Good morning everyone and welcome to the Q1FY'24 Results Conference Call of Glenmark Pharmaceuticals Limited.

Overall Performance Review of 1st Quarter FY'24

Let us review the overall performance of the Company for the first quarter of FY'24. Glenmark's consolidated revenue from operations for the first quarter of FY'24 was at Rs. 34,106 million as against Rs. 27,773 million in the corresponding quarter last year, recording an overall year-on-year growth of 22.5%. We will review each of the businesses of Glenmark Pharmaceuticals Limited, starting off with India. Sales from the formulation business in India for Q1 FY'24 were at Rs. 10,643 million as against Rs. 10,352 million in Q1 of FY'23 which means recording YoY growth of 2.8%. The lower growth was mainly on account of the full impact of divestment of few non-core brands last year as well some impact of the NLEM price revisions.

The India business contribution was at 31.3% in Q1 of FY'24 compared to 37% in Q1 last year. Glenmark's India Business continued to significantly outperform industry growth rates. As per IQVIA Q1 FY'24 data Glenmark's India Formulation Business recorded a growth of 10.7% compared to industry growth rate of 8.1%, furthermore as per the IQVIA MAT June data Glenmark's India Business grew by 13.1% compared to an industry growth of 10.3%. Glenmark's India Business continues to be ranked 14th with the market share of 2.12%. The Company also continues to have nine brands in the IPM Top 300 brands in the country as per IQVIA MAT June data.

In Q1 and MAT June 2023 contribution from the chronic therapeutic segments of Glenmark's was at 47% and 45% respectively. In terms of key therapeutic segments, Glenmark's is rank second in both Respiratory and Dermatology segments. In addition, Glenmark's is ranked 5th in the Cardiac segment and 17th in the Diabetic segment.

During the quarter, Glenmark's India Business also considerably improve that's market share in this key therapeutic areas, as per IQVIA MAT June data the dermatology market share increased to 7.42%. The Glenmark's share in the respiratory market increased to 5.65%, while

Glenmark's share in the Cardiac market increased to 5.23%. Glenmark's share in the diabetes was at 2.21%. These market share gains have been led by higher than industry growth rates for Glenmark across most of the core therapeutic segments.

Glenmark is expecting business growth to remain stable in spite of a recent slowdown in certain acute segments of the industry such as respiratory and anti effective. The Company has launched multiple lines in extensions during the quarter and continues to gain marketshare in some of the key launches across the core therapeutic segments. And the Company continues to have a healthy pipeline of differentiated products which it will launch in the market going forward.

Consumer Care Business

The Consumer Care business in India, primary sales for the Glenmark Consumer Care in Q1 FY'24 worth Rs. 781 million with a growth of 21.3 which was mirrored by a strong double-digit secondary growth of 17%. The company flagship brand Candid Powder delivered revenue growth of 29% in Q1; La Shield portfolio delivered 2% growth in Q1 which was low primarily due to our high base last year and the Scalp portfolio recorded growth of 58% in the first quarter of FY'24.

North America

Moving on to North America, the North America business registered revenue of Rs. 8.085 million which is about USD \$98.4 million for the first quarter of FY'24 as against Rs. 6,628 million which is about \$86.1 million for Q1 FY'23, which translates into year-on-year growth rate of 22%.

The North America business contribution was at 23.8% compared to 23.9% in Q1 last year. In the first quarter Glenmark launched Clindamycin Hydrochloride capsules which was approved in the previous quarter. Additionally Glenmark file two ANDAs in the first quarter of FY'24. The Company plans to file two to three applications in the forthcoming quarter and a total of 10 to 12 ANDAs in FY'24.

Glenmark's marketing portfolio consists of 183 generic products which are authorized for distribution in the U.S. market and the Company has 50 applications pending at various stages of the approval process.

Europe

Europe business, Glenmark's Europe operations for Q1 FY'24 were at Rs. 5,732 million as against Rs. 3,300 million in Q1 last year recording a year-on-year growth of 73.7%. The Europe business contributed 16.9% of the total revenues in the first quarter of FY'24. The strong growth

in the region was driven by an uptick in the base business as well as new product launches during the first quarter.

The Western European business recorded high double-digit growth for Q1 with markets like the UK and Spain growing significantly. Amongst the key markets the UK recorded strong growth on the back of key launches particularly in the generics business and key markets in Central and Eastern Europe such as Czech and Poland also recorded strong secondary sales growth.

Glenmark's Respiratory portfolio in Europe has also been a key factor for the strong performance in Q1. The Company has seen a strong uptake across all four Respiratory brands that it has launched particularly brands like Ryaltris and Soprobeq, Ryaltris continues to exhibit strong growth across markets in which both Glenmark and partner Menarini have launched the product. And Salmex and Esthemax also continue to sustain its market share across the CEE markets both in terms of value and volume.

In addition the Company mentioned in the last earnings call that it has filed four additional respiratory products for the EU markets. And which would be launched over the next two to three years. And Glenmark has also entered the Italian market and will be expanding across the country in the forthcoming quarters.

ROW

ROW region which consists of Asia, Middle East, Africa, Russia, CIS and Latin America, for the first quarter of FY'24 revenue from the ROW region was Rs. 5.512 million as against Rs. 4,226 million for Q1 last year, recording a year-on-year growth of 30.4%. For Q1 FY'24 the ROW business contribution was at 16.2% compared to 15.2% last year.

The Company witnessed healthy growth in the base business across all sub details of the ROW market, starting off with Russia, as per IQVIA, June and MAT June data Glenmark's Russia business recorded growth of 34% and 17% respectively in value. This has been driven by all key brands including Ryaltris, Ascorig and Montlezir.

Amongst the Dermatology companies, Glenmark ranks 10th as per MAT June 2023 data and amongst the company's presence in the expectorant market in Russia, Glenmark continues to maintain its strong second rank as per the MAT June data. In June, Glenmark also launched Ascorig LS which is a combination to further consolidate its leadership position in the expectorants market.

The Asian region recorded 14% secondary sales growth which is driven by markets like Philippines and Vietnam. Dermatology and Respiratory are the key therapeutic areas in which Glenmark is present in Asia and contribute significantly to the overall sales. In addition, Ryaltris was launched by Glenmark in the Malaysian market in Q1 FY'24 we have seen good demand so

far post launch. And Ryaltris continues to hold (18%+) value market share in Australia across the top allergic Rhinitis products. The product has also received strong response in South Korea post launch in Q3 of last year by partner Yuhan Corporation.

Middle East Africa region recorded (20%+) growth in sales during the first quarter, Glenmark continues to be ranked third in the overall Kenya market. Further the Company continued to achieve strong secondary sales growth in South Africa, UAE. Ryaltris again was a key product, it was launched in Saudi Arabia in Q1 and is expected to drive the further growth in the Respiratory segment, as a product will get launched across other NEA market in FY'24.

Latin America region witnessed strong growth in Q1, Respiratory portfolio was the key contributor for Glenmark in the Latin American markets. The Brazil business for Glenmark achieved 25% plus growth in its covered market. Company maintains its rank amongst the top companies in the covered market for chronic respiratory segment in Brazil as per IQVIA MAT June data.

And secondary sales growth also remain strong in Glenmark's other key market which is Mexico. Glenmark's business in Mexico grew by 25%, then 15%, 25% in value and 15% in units as per IQVIA MAT June data.

Key Highlights for Ryaltris

We will cover some key highlights for Ryaltris as of the end of Q1 FY'24. Marketing applications for Ryaltris have been submitted in more than 70 countries across the world. The product has been commercialized in 29 markets including major markets like the USA, Canada, markets in Europe like the UK, Australia, Russia, South Africa, South Korea and Saudi Arabia.

Menarini Glenmark's partners in the EU intend to launch the product in additional European markets in FY'24 and consolidate its position in the market where the product has already been launched. In addition, the markets in which Glenmark is selling, we continue to do well in Ryaltris in Europe.

Hikma Glenmark commercial partner in the U.S. continues to see strong prescription, new prescription and repeat prescription growth as the allergy season progresses through the country.

Grand Pharmaceuticals is Glenmark's partner in Mainland China, they aim to complete the ongoing Phase III study in the country and submit the marketing authorization application in the second half of FY'24. And we have mentioned some key market shares for Ryaltris, value market shares across a few markets where Glenmark and their partners have already launched Ryaltris. So, Australia, we have (+18%) market share, South Africa 15%, Czech Republic 25%, Poland 8% and Italy 10%.

In terms of other key Respiratory products, clinical trial is ongoing for the generic Flovent pMDI filing and we expect to file the product in FY'24 and as mentioned before we plan to file at least one more generic Respiratory pMDI in the U.S. in FY'24 and then continue our momentum beyond that.

GRC 54276

Covering some highlights on Glenmark's innovative R&D pipeline starting off with GRC 54276. GRC 54276 is a novel HPK1 inhibitor being developed as an orally administered immuno therapeutic agent for patients with solid tumors. GRC 54276 is currently being evaluated in the first two human study, Phase I clinical study, Part 1A Monotherapy phase of the study is ongoing in India since July 2022 and no known limiting toxicities have been observed so far. Based on the Phase I ANDA approvals, which were received from DCGI as well as the USFDA in Q4 of FY'23 the Phase I, Part IB combination study of GRC 54276 with Pemrolizumab and Atezolizumab was initiated in India in the first quarter of FY'24. And initiation of this study in the U.S. is planned in the second quarter of FY'24.

GRC 39815

GRC 29815 is a ROR γ t inhibitor and company's Respiratory pipeline asset being developed as an Inhale therapy for mild to moderate COPD. It is currently in Phase I development.

Glenmark Life Sciences

Moving on to Glenmark Life Sciences, revenue from operations including captive sales were Rs. 5,785 million as against Rs. 4,899 million for Glenmark Life Sciences recording a YoY growth of 18.1%. Generic API revenues for GLS in Q1 increased by 13.3% and the business also witnessed a strong growth in the CDMO revenues. Detailed engineering work has also started in the new manufacturing site for GLS in Solapur. External sales for GLS in Q1 of FY'24 were at Rs. 3,769 million as against Rs. 3,251 million, recording a growth of 16%.

ICHNOS SCIENCES

Moving on to ICHNOS SCIENCES, Glenmark has invested Rs. 1,417 million which is about USD \$17.2 million in the first quarter of FY'24 compared to Rs. 1,682 million which is USD 21.8 million in Q1 last year, and Rs. 1,906 million which is USD 24 million in Q4 of FY'23. For further updates on the pipeline of ICHNOS, please log on to their website, the pipeline update for the first quarter has been uploaded.

Key Objectives for FY'24

We want to reiterate our key objectives for FY'24 which we stated earlier consolidated revenue growth of 10% to 11%, consolidated R&D investment of 8% to 8.5%. Consolidated EBITDA margin of 19% to 20% plus consolidated CAPEX of Rs. 600 crore to Rs. 700 crore. And we prioritize free cash generation as well as closing out one out licensing deal.

Highlight on Results

Before we open the call for Q&A we just want to highlight some notes to the results. EBITDA for the first quarter of FY'24 was Rs. 631.2 crore with an EBITDA margin of 18.6%. FOREX loss for the quarter was Rs. 16 crore which is recorded in other expenses, excluding this the EBITDA margin for Q1 was at 19%. Total R&D expenditure in Q1 FY'24 was around Rs. 284 crore which is 8.3% of revenue for the first quarter. As mentioned before ICHNOS investment in Q1 was at \$17.2 million.

Inventory for the period ended June 30th was at Rs. 3,319.8 crore as against Rs. 2,977.8 crore as of March. Receivables as of June 30th, 2023, was at Rs. 4,183.7 crore as against Rs. 4,098.6 crore as of March and payables as of June 30th was at Rs. 2,508.1 crore as compared to Rs. 2,391.9 crore as of March.

Total asset addition in the quarter was Rs. 127.5 crore of which tangible assets addition was about Rs. 108 crore and intangible addition was about Rs. 19.5 crore. Gross debt for the period ended June 30th, 2023, was at Rs. 4,443 crore as against Rs. 4,348 crore in March. And net debt for the period ended June 30th was at Rs. 2,947 crore as against Rs. 2,905 crore in March.

I would like to introduce the management of Glenmark Pharmaceuticals on the call today. We have with us Mr. Glen Saldana - Chairman and Managing Director; Mr. V.S. Mani - Executive Director and Global Chief Financial Officer and Mr. Brendan O'Grady - Chief Executive Officer, Global Formulations Business.

With that we would like to open the floor up for Q&A.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Damayanti Kerai from HSBC. Please go ahead.

Damayanti Kerai: My first question is you have booked exceptional item for remediation cost related to India and Monroe sides. So, with it are you broadly done with the cost which you will be incurring for remediation or you expect like substantial cost to come in ahead also?

Glenn Saldanha: So, I think we are broadly done with most of the remediation cost. And going forward what we expect as of now is very minimal cost not very significant both at U.S. and India.

Damayanti Kerai: And what will be timeline for say completion of remediation work at both the sides?

- V.S. Mani:** So, I think Damayanti a little bit of remediation will continue, but from a cost perspective it will not reflect in the numbers.
- Damayanti Kerai:** So, cost broadly done and maybe once you complete then you can ask the FDA to come and re-inspect the plant?
- V.S. Mani:** That's correct.
- Damayanti Kerai:** My second question is, can you update on your stake sell for the Glenmark Life Sciences business, which will come in for you. So, any timeline for it?
- V.S. Mani:** So, right now all we can say is you know we have 7% to 8% sell down required by law, right and we are working on it. I think there is a deadline --
- Glenn Saldanha:** Yeah, we can do it till next August, because we did it in August of '21, so three year timeframe is given, so we have time till next August, yeah.
- Damayanti Kerai:** Till August 2024 you have this 7% to 8% sell down?
- Glenn Saldanha:** Yes.
- Damayanti Kerai:** And my last question is on your spend on ICHNOS which is down to 17 million for the quarter. So, is this is the new spend base which you are looking for this business or like it came down from 21 million, 22 million earlier. So, how should we look at spend for ICHNOS in coming quarter. And if you can also update on some of the key pipeline assets for ICHNOS where we are expecting data readout etc?
- V.S. Mani:** So, as far as this spend base is concerned this is the new basically territory in which we are working. As we had guided even during our Investor Call that we are pruning down our spends from to about 60 million or so in a year, so broadly this is where we will spend on a quarterly basis.
- Glenn Saldanha:** In terms of the pipeline as we have said right there are three active Oncology programs which are underway, so 1343, 1442 and 2001. We think all of them will read out or will reach some inflection point this year, in terms of possible POC for 1342 and 1442 and some evidence on 2001 this year. So, I think this year is a critical year in terms of the Oncology portfolio by ICHNOS.
- I think in parallel as you know Almirall continues to progress well on 880 in their Phase I clinical trial. And on 830 we are actively in discussions for potential partnerships on the portfolio. So, I think these are the five assets in ICHNOS which are of relevance which I think this year is a important year for ICHNOS.

- Damayanti Kerai:** And for any partnering etc., most likely we will first release data, any data read out and then there is more likelihood of getting into any partnership?
- Glenn Saldanha:** Not necessary, actually so 830 we have already, the Phase II data, Phase IIB data is already out in the public domain. On the Oncology assets, we have a bunch of presentations at ASH for both 1342 and 1442 this year. So, we have at least three different poster presentations at ASH. We constantly keep releasing data at medical conferences, so some of that is in the public domain.
- Moderator:** Thank you. The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.
- Shyam Srinivasan:** First one on the run rate for the North America business, right. We saw like sequential improvement in fourth quarter, but again in Quarter 1 it's come off is there some seasonality linked issue here or how should we look at the growth going forward and your comments on the pricing environment there as well?
- Brendon O'Grady:** I think if you look at the North American business typically Q3 and Q4 are stronger quarters than Quarter 1 and Quarter 2. So, as we have said in the past we see the U.S. is basically around a \$100 million business a quarter give or take. A lot of that depends on new product launches. Again Quarter 1 we had some launches that split out a little bit later into the year so that's the reason that it would slightly under a 100, but in general we see good, sustained growth in the U.S. in the mid single digits as we have said before. So, I think if we go through the year you will see as the numbers come up closer to a 100 and in some quarters over 100, some quarters maybe a little under 100, but overall continued good growth in the U.S. as we launch the new products this year.
- Shyam Srinivasan:** The pricing, U.S. generic pricing environment, how does it look for you on your base business?
- Brendon O'Grady:** Yeah I mean I think the U.S. pricing environment is, we are generally in line with the market, right now it's a mid-single digit as far as price erosion, it can change a little bit, depending upon your portfolio in the products you launch, but we are relatively in line with the market.
- Shyam Srinivasan:** Just a second question on the India business, for like growth like integrated new practice is there 13%, how should we look at the India business growth and maybe outlook for the remainder of the year?
- Brendon O'Grady:** I think we will see the India business grow in the single digits for after the year. And I think we have a good solid business across India as you know we rank #2 in Derma and Respi and 5 in Cardiovascular. So, we see continued good growth in the India business but I would put it in the single digit.

Glenn Saldanha: And also, Shyam for Q1, if you correct for some of the divestments and all that that we did, it is about 8%.

Shyam Srinivasan: So, Glenn just on the outlook and we did much better growth, I know it's on a low base of last year, but reasons to just hold on to our guidance rather than change or upgrade our guidance, anything that's stopping us?

Glenn Saldanha: So, look the business overall continues to do exceedingly well across all the geographies. I mean India as Brendon mentioned you are looking at a single digit this year, because we are witnessing some slowdowns particularly in the Acute segment and Glenmark has some big brands in Acute. But outside of India, I mean I think Europe is clearly doing exceedingly well for us, rest of the world markets are doing well. The U.S. we will definitely do our guidance for the U.S. right. So, mid single digit could be ahead of that also. So, I think all-in-all the business is doing well and given where we see things, we should be able to meet our guidance or even exceed our guidance this year.

Moderator: Thank you. The next question is from the line of Saion Mukherjee from Nomura. Please go ahead.

Saion Mukherjee: Just on India you mentioned 8% growth this is excluding the divestment and NLEM or is it just the effect of divestment?

V.S. Mani: Saion, so excluding both divestments as well as NLEM, the growth was 8%.

Saion Mukherjee: And are you see any headwinds in the sector in India, the volume growth are quite low and we are sort of hearing about the police moves to, asks doctors to prescribe using generic names, we are seeing companies getting into trade generic. So, are you seeing these headwinds building up or the industry is bringing down the volume growth? And for this 8% growth that you mentioned if you can take it down between the volume and price increases.

Glenn Saldanha: So, I think Saion, on the policy side it's all very new right it's just come out a few days ago, we are still trying to understand what are the implications of that, but outside of that I think the sector in India will continue to do well, I mean just given the growth that you are witnessing across the board, between branded products, generics, OTC, as a platform, institution so I mean there is enough of opportunity for companies to take advantage of the India platform if they are able to look for deep growth.

I think so all-in-all, India should continue to do well. But there could be some ups and downs here and there like we are facing some short-term seasonality issues in the Acute segment. So, those kind of things will keep happening, but I think on an ongoing basis India should be a solid business, in the years to come.

Saion Mukherjee: And again, for Glenmark what is the kind of initiatives we are taking in India to sort of help grow ahead of the market, I am just thinking from an OTC perspective or let's say trade generic which many of the companies have entered, if you can throw some light, why would sort of Glenmark be able to grow ahead of the market?

Glenn Saldanha: Look, I mean we have had a stellar India business Saion over the last decades, we have consistently grown, we have had great brands, we have always been among the fastest two to three players in terms of growth so it's been a great build out. I think from here on, from an opportunity set there are multiple areas which could drive our India growth, right. We have a good OTC platform that we launched maybe about five, seven years ago. And some of the brands whether it's Candid Powder or Scalp, La Shield continue to do exceedingly well. So, I think that I am pretty optimistic that the OTC platform will do well.

We have a small GX business which is very insignificant. But I think overall for Glenmark, our franchises in Dermatology we are ranked #1, #2. Respiratory we are now #2 so very strong franchises, right. Cardiovascular with brands like Telma, we are ranked #4. Diabetes is an area which continues to be challenging, but I think across all the therapeutic areas that we operate and we have built a strong franchise. So, India remains a strong business for us. And will continue to do well, that's the only visibility I can give you at this point, Saion.

Saion Mukherjee: And also on the U.S. market, if you can give some color on let's say how many launches we should expect or what's the number of filings and launches and any key product that you can call out which can sort of have a material impact or you think we should sort of remain at around \$100 million mark a quarter, more or less for some time now, what should we sort of think about it?

Brendon O'Grady: So, I think if you think about the U.S. market in addition to the comments that I said we will continue to launch new products as we got through the year. Probably in the range of 8 to 10 new products, we have already launched Clindamycin in the first quarter. We are in the middle of the Sitagliptin launch right now, we just started shipping so I think we are one of three or four on the market right now. So, we will see how that launch turns out. We have a couple others this quarter that we will launch. And as far filings we will file 8, 10, 12 products this year.

So, like I said I think continue build up of U.S. market we should see a 12 in mid single digits, I think price erosion has come off a little bit it stabilized in the mid single digit range. So, I am optimistic that we will continue to see the U.S. business grow, as Glenn said, I think we will achieve our guidance and our numbers for the U.S. market this year. So, --

Glenn Saldanha: I think also to add to what Brendon just said right, Saion, I think the key is for us it's important to get past Monroe so we get those injectable products which will further accelerate the growth in the U.S. And if you go back to our Investor deck we clearly mentioned three to four areas where we are heavily focused one of them is Respiratory, the other is Injectable, some complex

injectibles. So, these are some of the areas where we see some good opportunities which we continue to strive forward.

Near term, I think we are doing some good things, you will see some exciting launches coming through in this quarter and probably next quarter which will help fuel the growth for the U.S. right, near term. And if I look out longer term, it's all about some of these pipeline products in Respiratory, complex injectibles and other areas that we are continuing to work on. But a critical event for us obviously is to get past Monroe and get that going.

Brendon O'Grady: And that will lead into growth this year.

Glenn Saldanha: Exactly.

Saion Mukherjee: And one last question on Ryaltris though you have mentioned market share data in various markets. Is it possible to share what in your estimate would be the sort of in-market sales for Ryaltris if you add up all the markets where you currently launched the product?

Glenn Saldanha: So, that's a tough one Saion, we don't have the in-markets sales across all markets. But I think we guided to 40 million to 45 million for the year, we are clearly well ahead of that on Ryaltris sales for this year. And I think given the fact that this is still in the launch phase this could be a very big product for us. I mean we still haven't launched the product in major markets like Brazil, Mexico, China. Some of the major European markets are yet to launch the product. And in the other markets it's still in the early phases of launch. So, it's a good launch for us, and that will be a big driver for us, both in terms of contributions across both margins as well as top-line growth across the board, so that's a good build out for us.

Saion Mukherjee: Just one clarification this \$40 to \$45 million for fiscal '24 this is revenues to Glenmark or are you mentioning in-market sales --?

V.S. Mani: This is revenues to Glenmark.

Saion Mukherjee: And it would have been how much last year in FY'23?

Glenn Saldanha: 20 million maybe.

Saion Mukherjee: And this is what I think you have guided would sort of go to \$150 million overtime right?

Glenn Saldanha: That's correct.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

- Nitin Agarwal:** Glenn, on the European business we have see very dramatic sharp, growth on the last few quarters, I mean if you can just highlight what is really working and how should we look at now Europe from this base to when you look to the next two, three years?
- Glenn Saldanha:** So, clearly Nitin, Europe will be a big driver for us, we have done very well. We still see at least a 25%, 30% growth coming on a full year basis out of Europe, so it will almost be a \$300 million business for us this year. So, that's pretty substantial given the fact that our U.S. business is about \$400 to \$420 million. And we have taken so long to build it out, so it's a great build out for us. I think Europe on a sustained basis given all the different things that we are working on will continue to grow around 15%, 20% on our sustained basis going forward. So, that's the kind of build-out that we are working on.
- Nitin Agarwal:** And Glenn on your profitability front, how different is it from our corporate profitability, right now?
- Glenn Saldanha:** So, obviously the margin profile has improved dramatically as we are gaining more scale it continues to improve, but Mani --
- V.S. Mani:** Yeah, but still Nitin to the point it will be little lower than the overall profitability, but much, much better. Also with the kind of products that we have launched and Respi, Ryaltris all that, so all that should take the margin --
- Nitin Agarwal:** Over a period of time as a business, and in what scale does it starts to become inline with corporate profitability, or does it get there actually in the first place.
- V. S. Mani:** See obviously there are some market which are clear outliers like India etc. which are way ahead all of others. But to be fair this businesses as they grow higher and higher and the benefit of margin comes in and it comes as close to it as possible. But its grown substantially, it used to be single digits at one time, it's well very well, much higher now.
- Nitin Agarwal:** On the working capital front, how are seeing Q1 and how do we see the remaining part of the year any pressure easing on receivables and inventory for you?
- V.S. Mani:** Yeah, I will brief you so like Utkarsh shed out the number so if you look at inventory it's more or less number of let's look at it because the business grew 22% and we are seeing a good year this year. So, if you look at the number of days inventory it is like more or less there is 84 some 85 days. Receivable in the last year, March, it was 115 days it has come down to 107. So, broadly I see while overall inventory went up by about Rs. 300 crore odd but also you have to factor in the fact that we are looking at good growth in many of the businesses. So, I think all in all, the number of days of working capital, which was about 132 last year end it's 120, I think it will improve as it goes along only, will chip away --

- Nitin Agarwal:** Do you have any numbers that we are probably aspiring to get towards by the end of the year?
- V.S. Mani:** I am hoping it will come to lower I mean it will come to closer to 120 or so which is where we were at sometimes back.
- Moderator:** Thank you. The next question is from the line of Kunal Randeria from Nuvama. Please go ahead.
- Kunal Randeria:** Glenn Just want to get your thoughts around this ISB 830, see this is the most advanced product in your ICHNOS pipeline in Phase IIB yet it is not partnered, so just, can you run your thoughts around it.
- Glenn Saldanha:** Well I think, I mean we have put out our Phase IIB data, so with some of the recent activity on the OX40 antagonist which has recently come in the global environment has brought about renewed excitement around 830. So, we are hoping that we will be able to partner this asset at some point.
- Kunal Randeria:** So, is this maybe one of the candidates that you are looking to partner this year, is that the one that you are factoring your guidance?
- Glenn Saldanha:** I mean, I am not giving any specifics, I mean we have partnering discussions across the various assets between 54276 on the GPL side, the Oncology assets on ICHNOS and 830 so there are multiple discussion on going it's hard to predict what will close out.
- Kunal Randeria:** Secondly on Flovent you maintain that you will be filing it this year, so can you run us through what the competitive scenario could be, I believe there is **(Inaudible) 40.51** in the market, but what's the kind of competition you expect, you know maybe by the time the launch gets late next year?
- Glenn Saldanha:** So, we believe there is one other filer right now on Flovent. And other than that we have no visibility to any additional filings. I mean keep in mind this is a large development, I mean you are talking of clinical trial which runs into 1000s and 1000s of patients so it's not an easy development. So, we are hoping this will be a limited competition launch for us.
- Kunal Randeria:** In this quarter in the EU was there any benefit from, better than expected seasons or was it a normal quarter?
- Glenn Saldanha:** I think it was a normal quarter overall.
- Moderator:** Thank you. The next question is from the line of Sameer Deshpande from Fair Deal Investments. Please go ahead.
- Sameer Deshpande:** I would like to know last quarter we had a big settlement of around Rs. 800 crores which was provided, so what is the timeline for the payment of that during the year?

- V.S. Mani:** So, Sameer this will be paid over two years broadly, we had a \$87.5 million settlement which will be paid over the current year and next year.
- Sameer Deshpande:** So, that will add to our debt which is currently at Rs. 3000 crores net. So, will we offset it by selling this Glenmark Life Sciences stake?
- V.S. Mani:** No I think our internal generation of cash over the current year should also help us take care, so therefore we should be able to broadly take care of it from our internal funds.
- Sameer Deshpande:** But is there any target to reduce the gross and net debt for the current year?
- V.S. Mani:** Absolutely I mean as I said one of our key endeavor is to bring it down. Obviously two years back we brought it down substantially, but over the last two years because of currency etc. those are the reasons why it went up but I am hoping that this money will definitely get paid out by our internal generation of funds. And as our business continues to grow and do better we should definitely see the debt also come down.
- Sameer Deshpande:** Because currently if you see the quarterly interest run-rate, it has gone up substantially and it has almost doubled if you take it year-on-year, so Rs. 112 crores versus Rs. 60 crores so?
- V.S. Mani:** So, last two to three quarters you see it has gone up, because as you can see LIBOR which was one year back 1.5% today 5.5% okay. So, obviously if you have dollar denominated loans, it has gone up, yeah that's the reason mainly. There is nothing to do with the quantum of debt, it has got more to do with the interest rate scenario that changed dramatically over the last one year.
- Sameer Deshpande:** So, there is no plan to sell a big stake in Glenmark Life Sciences to clear off the debt?
- V.S. Mani:** No, I think what we explained earlier also that we have to do 7% to 8% we will do that. And as far as the debt is concerned, I think with our EBITDA being where it is and overall business doing better we are hopeful that we should be able to take care of it.
- Sameer Deshpande:** But actually the perception of the market, always continues to be better for the companies which are having very low debt or having cash, because in our case we have managed it well there is no issue on that front. But if a pharmaceutical company, we are in a position to reduce our debt, because we have good cash --?
- V.S. Mani:** Sameer we are working towards that leave it to us yeah, we will do that.
- Moderator:** Thank you. The next question is from the line of Sharad Ratnakumar from Eila Consulting Private Limited. Please go ahead.
- Sharad Ratnakumar:** My first question was again regarding the stake sell in Glenmark Life Sciences, so can you address in terms of two fold, one the cashflow requirements as the previous participant asked

and second can you give some comfort to the minority shareholders in terms of what percentage we are looking to sell, because it looks like Glen Life is -- cash generating company at the moment right?

V.S. Mani: So, Sharad I will respond to that, so basically as per law we have to bring it down public shareholding overall by up to 25% so there is a 7% to 8% so that's what we are working on today. And as far as the cashflow requirements are there, we are broadly managing everything, we are generating enough funds, business is doing well, so I think that will take care of it.

Sharad Ratnakumar: So, I think in the previous quarter call we had mentioned that we have spent about Rs. 200 plus crores in consultancy charges for the remediation. And despite that we have received a warning letter from USFDA, so can you throw some light on what possibly went wrong, is it the choice of consultant? Is it that we were not -- the requirements of the consultants sufficiently? What went wrong there?

V.S. Mani: So, I think what will be helpful yes, I think you need to understand it a little better how it works. So, obviously the USFDA had come and they give us observations etc. and they work with us, so obviously we have to start working on the remediation cost. I mean on the remediation and that will cost money okay. And as far as they take their time in giving the letter, so it's not that big, I mean inspite of doing there is a warning letter, the warning letter happened because of the earlier this, so you have done the remediation and that is why now it will help us to get back in business okay, that's what I am saying, in from that plant.

Sharad Ratnakumar: So, we are saying that we are going to probably continue a little bit more of the remediation without incurring any major cost?

V.S. Mani: Minimal cost that's what we said, minimal cost yeah because obviously it will have it's I mean while they are doing work a lot of it is already done, we are hoping. And this is across the pharma industry okay, so there are other peers also who spent similar money whenever they have any kind of this okay. So, this is the way it is.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Utkarsh Gandhi, for his closing comments.

Utkarsh Gandhi: Will just read the disclaimer before we end the call. This document has been prepared by Glenmark Pharmaceuticals Limited, the information statements and analysis made in this document and during the call describing company's or its affiliates objectives, projections and estimates are forward-looking statements, these statements are based on current expectations, forecast and assumptions that are subject to risks and uncertainties, which could cause actual outcomes and results to differ materially from these statements, depending upon economic conditions, government policies and other factors. Not a presentation or warranty either expressed or implied is provided in relation to this document and this document should not be

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With this we can end the call thank you all for joining us today.

Moderator:

Thank you members of the management team. Ladies and gentlemen, on behalf of Glenmark Pharmaceuticals Limited that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.