“Glenmark Pharmaceuticals Limited

Q3 FY’24 Earnings Conference Call”

February 16, 2024

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Moderator: Good morning, ladies and gentlemen. Welcome to the Q3 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 star, then zero 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: Thank you, Lizann. Good morning, everyone. Welcome to the Q3 FY '24 Results Conference Call of Glenmark Pharmaceuticals Limited. Before we start the Q&A, we'll review the overall performance of the company for the third quarter of FY '24.

For third quarter of FY '24, Glenmark's consolidated revenue from operations was at INR29,096 million as against INR34,639 million in the corresponding quarter last year, recording a Y-o-Y decline of 16%. The lower sales in the current quarter was mainly on account of a one-time impact on the company's India business. And excluding this impact, the approximate growth over previous year have been around 9%. For 9 months of FY '24, Glenmark's consolidated revenue was at INR98,991 million as against INR96,164 million, recording a growth of 2.9% Y-o-Y.

We'll just give some key updates on the formulation business across the regions. We'll start with India. Sales from the formulation business in India for the third quarter of FY '24 were at INR2,622 million as against INR10,745 million in the corresponding quarter last year.

During the third quarter, Glenmark implemented changes in its overall distribution model through consolidation of stock points and rationalization of some channel inventories, which has led to a one-time impact on sales for the India business in this quarter.

However, this will help Glenmark in improving our operating margins and overall working capital in the future, and the changes will also help accelerate some anti-counterfeiting packaging roll-out and ensure that it reaches faster to the patients.

In terms of secondary sales, we continue to outperform the overall industry in terms of growth. As per the IQVIA data for December 2023, Glenmark's India business has actually recorded a growth of about 12% in the third quarter and about 11.5% as of MAT December.

In comparison, the overall market grew at about 8% in the third quarter and about 9.5% as of MAT December. We, obviously, again, clearly continue to outperform the market in terms of our key therapy areas such as cardiac, dermatology and respiratory.

And Glenmark business continues to be ranked 14th with a market share of about 2.13%. We continue to have nine brands in the top 300 brands of the Indian pharmaceutical market. And in terms of key therapeutic areas, Glenmark is ranked second in both respiratory and dermatology. And ranked fifth in cardiac and 17th in the diabetes segment. Because of our higher growth, we've obviously improved our market share further in these key therapy areas.

In October 2023, Glenmark launched in India, the first triple-drug formulation of the widely used DPP4 inhibitor Teneligliptin, SGLT2 inhibitor Dapagliflozin and Metformin SR under the brand name Zita DM.

In January, Glenmark also became the first company to launch a biosimilar of the popular anti-diabetic drug Liraglutide, in India, under the brand name Lirafit. This launch will sharply lower the daily cost of therapy by around 70%, making Liraglutide more accessible to a large number of patients in the country.

In terms of our Consumer Care business for India, the primary sales in Q3 was at about INR482 million with a growth of -- Y-o-Y growth of 18%. Our flagship brand Candid has delivered 20% growth in Q3. La Shield has also delivered about 20% growth, while Scalpe also witnessed double-digit 12% growth in Q3.

Moving on to North America. The North America business registered revenue of about INR7,629 million, which is around USD91.6 million for the third quarter. This was against a revenue of INR8,373 million, which was about USD102.3 million for the third quarter of last year, translating into a Y-o-Y decline of about 9%.

Q3 sales were impacted mainly on account of lack of significant new product launches in the preceding quarters. However, in the third quarter, Glenmark has launched about 7 products. So we launched Prochlorperazine Maleate and Fluphenazine tablets as well as Benazepril, Hydrochlorothiazide tablets. And the upcoming quarter, we plan to file new NDA.

During the quarter, we have significantly expanded our injectable portfolio through exclusive product partnerships. We've launched around four products in the injectable segment, including Fosphenytoin, Octreotide Injection, Posaconazole, as well as Ketorolac Injection. We now have five injectable products commercialized in the markets, and these launches are likely to positively impact the U.S. business from Q4 FY '24 onwards. Company is also hoping to restart commercialization of further injectable products from the Monroe manufacturing site from FY '25.

Glenmark has also leveraged its strong development capabilities in the Respiratory therapeutic area to build a portfolio for the U.S. market. We have already filed 2 ANDAs for generic nasal sprays, which are awaiting approval. And in addition to that, the ongoing clinical trials for generic Flovent pMDI has been completed, and we expect to file the ANDA for the same in the first quarter of FY '25. We are also planning to file at least one more generic respiratory pMDI for the U.S. market in FY '25, and then continue filing momentum across the respiratory product segment beyond that as well.

Moving on to Europe. Glenmark's Europe operations registered revenue of INR6,357 million as against INR4,932 million, recording a strong growth of about 29% Y-o-Y. Our Europe operations continue the strong growth trajectory, driven by a robust uptick in the branded business and also sustained growth in the generics business. The Western European business continue to clock 20% growth for Q3 mainly led by all key markets like the U.K., Germany and Spain.

Multiple product launches have also aided the growth in Q3. And across markets in the CEE region which is -- where our branded business is primarily sold, we have recorded strong double-digit growth. Like the Czech market recorded about 40% growth in secondary sales, and Poland also recorded about 20% growth in secondary sales.

Respiratory portfolio, which has been launched by Glenmark in Europe continues to do well. And key brands such as Ryaltris, Salmex, continue to sustain their market share both in terms of value as well as in terms of volume across the European markets.

Moving on to ROW. For the third quarter of FY '24, revenue from the ROW region was INR7,250 million as against INR6,541 million for the corresponding quarter last year, recording a Y-o-Y growth of 10.8%.

We continue to witness growth in the base business across all subregions of the ROW market. For Russia, as per IQVIA Q3 and MAT data, we recorded 7% and 18% growth in value, respectively. In terms of our key therapeutic areas, in Russia, we continue to do well in dermatology, where we recorded 20% growth as compared to the overall market growth of about 8%, as per the IQVIA, MAT December data.

We are ranked 9th in the dermatology market in Russia. And in the Expectorants market in Russia, we continue to be ranked second. We've launched a few key products in Russia in the first 9 months, which are also aiding our growth, and Ryaltris continues to gain market share as of 9 months of FY '24.

The Asia region also recorded 20% growth in secondary sales, driven by markets like Philippines, Malaysia, Sri Lanka and Vietnam. Top contributing brands, both in dermatology and respiratory segments, have contributed to the strong growth in the third quarter. And we've also received around 10 new product approvals across markets in this region, mainly in Dermatology, Respiratory and Oncology. Ryaltris, which has been launched in the Asian markets like Australia, South Korea, Malaysia, continues to do well across these markets.

Middle East, Africa region also recorded about 15% growth in sales during the third quarter. The company continued to achieve strong double-digit secondary sales growth in Kenya, South Africa, Saudi Arabia and other markets. Ryaltris has been launched in Saudi Arabia in Q1 of this year -- in Q1 of FY '24, and product has done well. It has received good response in the market.

And Ryaltris continues to be the leading nasal spray for allergic rhinitis in South Africa, where the product was launched about 18 months back, and is already the leading product there in terms of allergic rhinitis. We've also launched Ryaltris in four additional Middle Eastern markets during the third quarter.

Latin America witnessed strong growth of 30% in Q3. Respiratory, again, is a key contributor for Glenmark. Across the key markets like Brazil and Mexico, we continue to maintain our rank amongst the top-10 markets in the covered market of the chronic respiratory segment in Brazil and Mexico.

Moving on to Ryaltris. So as of the end of third quarter of FY '24, we have signed marketing applications for Ryaltris in more than 70 markets. Product has been commercialized in 31 markets, including the major markets that we spoke about previously.

Further, product has also been approved in 18 other markets, where it will be launched over the course of the next 3 to 6 months by either Glenmark or our partners. Glenmark's commercial partner in the U.S., Hikma, continues to see strong new prescriptions and with a full strength field force focusing on high prescribing physicians.

Our partner in Mainland China, Grand Pharmaceuticals, is progressing the application and registration process and expects to launch the product in mid-2025. We also provided some market share data for Ryaltris across our key geographies in the MD&A document. Moving on to the Glenmark Life Sciences. External sales for GLS in Q3 FY '24 were INR4,129 million as against INR3,756 million in Q3 last year, recording a Y-on-Y growth of 10%.

We announced, in September, regarding the definitive agreement with Nirma to divest 75% subsidiary. The transaction is ongoing and subject to customary closing conditions, including receipt of regulatory and shareholder approvals.

Moving on to Ichnos Glenmark Innovation. So recently, Glenmark and its global fully integrated subsidiary -- biotech subsidiary Ichnos Sciences, announced the launch of their alliance - Ichnos Glenmark Innovation, or IGI, to accelerate new drug discovery in cancer. This alliance combines Glenmark's R&D proficiency in small molecules with those of Ichnos in novel biologics to continue developing cutting-edge therapy solutions to treat hematological cancers as well as solid tumors.

The newly formed IGI features a robust pipeline of three innovative oncology molecules targeting multiple myeloma, acute myeloid leukemia and solid tumors, and all 3 are undergoing clinical trials.

Two of these molecules have also received Orphan Drug Designation from the U.S. FDA. Additionally, IGI has two autoimmune disease assets that have been out licensed to leading companies. Going forward, all of Glenmark Group's investments on innovative assets will be channelized through the IGI alliance.

And just a quick update on GRC 54276, which is part of the IGI portfolio now. This is being developed as an orally administered IO-adjuvant therapy for patients with solid tumors. This is an HPK1 inhibitor. Part Ia monotherapy phase of the study is ongoing in India since July 2022. Additional subjects are being recruited in the 50 mg monotherapy backfill cohort.

And the part -- Phase I, Part Ib combination study of 54276 with pembrolizumab and atezolizumab was initiated in India and the U.S. in Q1 and Q2 of FY '24, respectively. As of the third quarter, two dose cohorts of GRC 54276 with these molecules have been completed. And patient recruitment and dosing is ongoing for the third cohort.

Just some notes to the results before we open the Q&A. Forex loss for the quarter was at INR16.8 crores. Also, we had a INR48 crores impact due to hyperinflationary accounting in Argentina. Both of these are recorded in other expenses.

Exceptional items for the quarter comprised of legal costs associated with the U.S. litigation as well as remediation costs primarily in the manufacturing site in India. R&D expenditure in Q3 was at around INR308.8 crores. The consolidated asset addition for the quarter was at INR236.8 crores, of which, tangible asset addition was about INR178 crores and intangible was at about INR58.8 crores.

Gross debt for the period ended December 31 was at INR4,953 crores. Net debt for the period ended December 31, 2023, was at INR3,523 crores. In terms of working capital, at the end of December 2023, inventory was at INR3,402 crores. Receivables was at INR3,056 crores. And payables was INR2,301 crores.

We have the management of Glenmark Pharmaceuticals on the call today, Mr. Glenn Saldanha, Chairman and Managing Director; and Mr. V.S. Mani, Executive Director and Global Chief Financial Officer. With that, we can open the call for Q&A. Over to you, Lizanne.

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.

Damayanti Kerai: My first question is on India business restructuring. So Glenn, can you elaborate a bit more like what has prompted you to take this restructuring? And what are the key points which you want to achieve through this process? And after this process, do you think India business is now in good shape to cater to your requirements? So that's my first question.

Glenn Saldanha: Sure. So I think the primary reason we did the one-time restructuring was because we had certain inefficiencies in the distribution channel, which we wanted to correct, right? And what we did is by consolidating all the stock points, right, we are -- we're reducing the inventory substantially in the channel. We are -- which is also helping us with regards to our working capital management, helping us in terms of margins.

Also, a lot of the secondary sales that IQVIA reports will be very close to where -- what we report going forward. So we really -- in the inventory in the channel, it's an inefficiency that we had for really since our inception, which we are now correcting. And this is a one-time thing.

So you will -- obviously, Q4 will be back on track in terms of our normal sales, which trends at around INR1,000 crores a quarter for India. And I think going forward, you will see India growth coming strong, right, very similar to what our secondary sales are reporting as per IQVIA.

Damayanti Kerai: Just wanted to understand, was your distribution model very different from what your peers have in India market?

Glenn Saldanha: So I mean we've had a different distribution model all throughout, right? And we continue to maintain the model. However, we are -- by reducing the stock points, we are just reducing the stock in the channel.

Damayanti Kerai: Okay. So it will definitely lead to better working capital management as you highlighted?

Glenn Saldanha: Absolutely. Absolutely.

Damayanti Kerai: Okay. And the sales which were lost due to this restructuring process during the third quarter, that's gone. But as you said, fourth quarter onwards, things should be back on normal trajectory?

Glenn Saldanha: That's correct.

Damayanti Kerai: And so India business, then how should we look at sustainable growth after all clearing up of channels, etcetera -- like also if you look at the business ahead?

Glenn Saldanha: I mean India, for us, if you take our regular run rate, right, India continues to grow at around 12-odd percent, 10%, 12%, right, on a sustained basis, right? And that will continue to be there. We continue to outperform the market. If you look at all the IQVIA data and all third-party data sources, we continue to outperform the market. So I think that will now start reflecting more closely in our reported numbers, right, as we go forward.

Damayanti Kerai: Sure. My second question is on this IGI -- Ichnos Glenmark alliance, which you disclosed a few days back. So what is the primary reason, again, for this kind of entity formation? Because I thought like you already have entity Ichnos is heavily focused on novel R&D and then you have your old set of some products. So now my question is why not take every innovative asset to one entity than keeping some in parent's book....

Glenn Saldanha: So I think IGI is basically an alliance between the two -- between Glenmark and Ichnos, where effectively, we are pulling all the oncology assets, right, under one umbrella, right? It was sitting -- small molecules was sitting in Glenmark. Biologics were sitting in Ichnos. So we are pulling it all under one asset.

So Cyril Konto will run it. And basically, we'll derive significant synergies, right, out of the two entities. There will also be a huge -- from a cost perspective, right, I mean, we -- this year, we are spending almost $75 million to $80 million, will go down next year to $45 million, $50 million. There's a massive flow through that's coming into the R&D cost, and that will go to the bottom line in terms of EBITDA margin.

So we've done a lot of restructuring, right? This is all part of the overall restructuring that we are doing in terms of our innovation across the company, right? And with this heightened focus and synergies that will come out of this alliance, we believe there will be a significant improvement in terms of our bond, right, on innovation. So almost a $30 million plus -- $30 million, $35 million flow through right to the bottom line in terms of tangible numbers.

Damayanti Kerai: So this R&D spend 75 million, 80 million going down to 45 million -- sorry, 40 million a year?

Glenn Saldanha: 45 million, 50 million, in that ballpark.

Damayanti Kerai: Okay. So the entire 45 million, 50 million R&D savings would be reflected in R&D -- or sorry, EBITDA number?

Glenn Saldanha: Absolutely. So next year's EBITDA number, right, you'll see a significant bump up. This is one of the key drivers, but in addition, also, because of Ryaltris and some of the other operating leverage that we are seeing in geographies like Latin America, Europe.

Europe, which has always been a low-margin business for us, now with the scale that we are gaining in Europe and Latin America, right? All that should help drive EBITDA strong next year.

Damayanti Kerai: Okay. So how should we look at EBITDA numbers, say, for the next 2-years from current level? What kind of improvements should we see?

Glenn Saldanha: So we think -- I mean, I don't want to give a number on this call because we typically guide at the end of Q4. But if you take the R&D flow-through that we just discussed and you assume Ryaltris improvement, all the synergies that we are seeing in the operating leverage, that you'll see in various geographies, right, it will be a significant step up in terms of overall EBITDA.

And then from there on, every year, the EBITDA margins, we should improve on a consistent basis, right? Every year, you will see an improvement in terms of EBITDA margin from here on, purely because of the operating leverage and some of the branded products getting launched and commercialized, right, and Ryaltris is getting more scale, right, in the various geographies.

Damayanti Kerai: My last question. Can you update us on Monroe Plant's status?

Glenn Saldanha: So on Monroe, we have now -- we've put in a meeting request to the FDA. We've completed all our remediation works And now we are ready for inspection. We've also started manufacturing at the Monroe site. So process validation batches have started. And I think post FDA's inspection and meeting, we should -- we hope to start commercial production, right, in the Monroe site. So we're pretty much done with all the remediation work that we needed to do.

Moderator: We'll move on to the next question. That is from the line of Krish Mehta from Enam Holdings.

Krish Mehta: I just wanted to ask on the domestic rationalization inventory you have done in the last quarter. So, if you could just quantify what will be the subsequent working capital release expected from this?

V. S. Mani: Krish, I mean broadly, we already have seen some improvement in the working capital as we had guided, like if this were there, our growth would have been almost 9%. So we're talking about INR850 crores, INR870 crores of sales. So obviously, you already see an improvement in the working capital of about INR530 crores or so thereabouts already in place.

Moderator: The next question is from the line of Abdulkader Puranwala from ICICI Securities.

Abdulkader Puranwala: Yes. So just on the India business again. So with this rationalization, just wanted to understand that how does the channel inventory look like now as compared to where we were a year ago or 6-months ago? And going ahead, how is the inventory level going to be maintained in the market?

V. S. Mani: Yes. As we have already told you that the -- going forward, the secondary sales reported by IQVIA will be closer to our reported sales because of this channel inventory, whatever was there. So post this correction, it will be as per industry norms, okay?

And obviously, there will be no further action required in the channel as it will lean. And we'll leave it at that because obviously, inventory also from location to location, depending on the turnout, it keeps changing. But I think broadly, this correction will help us to be very lean and manage our working capital better. And as I've already answered in the previous question, this will help improve our working capital also.

Abdulkader Puranwala: Sure, sure. Understood. And secondly, sir, on the Monroe plant, so once that becomes operational in next fiscal, I mean, what is the sales benefit in terms of that plant could add and the number of products which could be relaunch into the market?

Glenn Saldanha: So I think there will be a ramp-up in Monroe, right? Next year, we are expecting about two products to get commercialized, right, out of that, right, in FY '25. But thereafter, every year, you'll have a host of products coming through on the injectable side. So I think there will be a ramp in terms of the facility, right, and in terms of the scale-up, right?

Today, obviously, the biggest advantage is today, we have a significant operating cost of Monroe sitting on our books, right, which obviously, from next year, once we start commercializing and selling these -- selling products, right, that will help further with the leverage -- operating leverage, right, that we will gain in terms of margin improvements overall.

Abdulkader Puranwala: Got it. And final one, if I may. So if you could provide the net debt number for the end of Q3 and where do you see the numbers say, FY '25 or '26? some color on that would be helpful.

V. S. Mani: So I'll just answer. So we just -- in read out, it is about INR3,523 crores. And as we have said that due to this divestment of GLS, we should be net cash positive at the end of this year itself. And as we said, going forward, we should be improving more and more. So I think, yes, that's where the trajectory would be.

Moderator: The next question is from the Kunal Randeria from Axis Capital.

Kunal Randeria: Glenn, so while I hear your explanation on this India restructuring, so it seems like almost 70 days of inventory have been sort of like extinguished, or 70 days of sales have not been made.

And since you are not going to do more channel filling in the coming quarter, I'm just wondering how did we arrive at a situation where we had probably more than 100 days of inventory in the channel?

Glenn Saldanha: So I think historically, Kunal, because we've had a 3-tier distribution system, right, we've always had a higher inventory level in the channel, right? So we've used this opportunity to correct some of these inefficiencies and take the benefits in terms of working capital improvement and in terms of margin improvement.

V. S. Mani: Also, as we -- Kunal, as we already explained that we had multiple stock points, so we reduced quite a few of them. So obviously when you do that, it automatically helps you to consolidate. So all these are the measures that we have taken to bring down.

Kunal Randeria: Sure. Okay. Okay. And this has been sort of slowly built over the years or this kind of elevated inventory levels have been present for several years?

V. S. Mani: It's built over the years, and it's not that we've built it over a period of time, obviously, when you have multiple stock points and you have, you know, extra tier in the systems, obviously, all this added to the inventory. But now we realize it is the right time as we're doing well and we're growing it, we should do that.

Kunal Randeria: Okay. The second question is on these 4 or 5 injectables that you have been marketing, including Octreotide and other ones. What's the kind of commercial arrangement you have -- is there a marketing part now? Or is there a profit share arrangement? How will it be?

Glenn Saldanha: So Kunal, I can't get into the details of the arrangement, but these are exclusive agreements with certain injectable players, right? So we have exclusive distribution of these products in the U.S. And currently, we have 4 or 5 commercial, and we have host additional products coming through. I mean the whole idea is our U.S. business is predicated around 2 big levers, right, 2 or 3 big levers. One is our Injectable portfolio. And once Monroe comes on stream, that will further drive the whole injectable business.

The second is, obviously, our Respiratory portfolio. We are hoping, in FY '25, we'll have these 2 nasal sprays launched and they are pretty big products. And then followed by Flovent, right, generic in FY '26. So I think the whole -- these are the two big platforms, and then we have some drug device products, right, which we are hoping to commercialize over the next year, 2 years and 3 years.

So these are the 3 platforms that we've built, in addition to, of course, we always remain strong in dermatology, so that stays, and oral contraceptives. These are the 2 original platforms that we operate in. So that's the basis for our -- for some of these partnerships, right, is to further build the whole injectable platform, right, and the institution business in the U.S.

Kunal Randeria: And one more, if I can. On Ryaltris, you know, I have achieved good idea from market share lot of countries. Just wondering what will be the aspiration of market share you are aiming?

Glenn Saldanha: So I mean, Ryaltris is a huge product for us, right? I mean next year, we anticipate sales of close to about 80-odd million. So it's a very large product already in a short time. And we still haven't launched in many of the major markets. For example, China, Brazil, many of these markets, we still have not yet commercialized the product, right?

So I think from a from peak sales, this will be a substantial product for us, right, over the next 5 years. And in terms of market share, if we end up with like 15%, 20% right off the market, I think we would have done really well with this product.

V. S. Mani: Just to add to what Glenn said in our commentary, the MD&A, we have given all the current markets that we are selling and the market share, it is all given there. Most of the key markets, we are already at 18% to 19%.

Kunal Randeria: Yes, I got that. So actually, I was asking, Mani, on where it can go there -- can that 18%, 20% go to 30%, 35%? So that was my question. Okay. Just one clarification then, when you say…

Glenn Saldanha: Sorry, Kunal, there are many markets where we're still at still at single digits. So there is a big sensing across the board, right? If we get to 15%, 20% , that will be a big number, right -- the Allergic Rhinitis, Respiratory market. Yes, go ahead.

Kunal Randeria: Sure, sure, sure. And just one clarification. When you say $80 million, is this the sales that you would be booking? Or is it the end user sales? Because in some countries, you would be a big partner....

Glenn Saldanha: No, it's ours. It's sales that we would book. End user sales will be much higher.

Moderator: The next question is from the line of Nitin Agarwal from DAM Capital.

Nitin Agarwal: Glenn, two three things, one is on just continuing on Ryaltris, the $80 million that you talked about, I mean, typically will be a very high margin contribution because a lot of it should be profit share?

Glenn Saldanha: Yes, Nitin. The margins will be huge. And that is exactly why we are talking about EBITDA for next year going up significantly, right? So Ryaltris, in addition to the R&D flow-through, right, that we are getting, IGI, Innovative R&D reduction, Ryaltris will be a big driver to the margin profile.

Nitin Agarwal: And secondly, staying on the topic, you've talked about this licensing of the specialty oncology molecule. Can you just provide your perspective on how do you see that playing out?

V. S. Mani: Sorry. Are you talking about...

Glenn Saldanha: Nitin, we can't hear you.

Nitin Agarwal: I'm saying the Chinese molecule that we licensed, the oncology molecule...

Glenn Saldanha: Yes. So yes, so I mean Envafolimab, we are very excited about. It's a PD-L1 operating in a market. I mean, KEYTRUDA is a giant player. Even in our market, KEYTRUDA is almost -- we have emerging market, right? And there itself, KEYTRUDA is almost $3 billion, $4 billion in sales. So in emerging markets alone, right?

So this is a very large opportunity for us, and we're very excited about it. We think this will be the next Ryaltris for the company. So the next year, or 3, 4 years, we think Ryaltris will dominate and thereafter Envafolimab can be the next Ryaltris for us. right? especially operating in a very large market.

Nitin Agarwal: And secondly, Glenn, on the U.S., in terms of the products that you're looking to launch in FY '25, '26, I mean would it be possible to give a broad market value that you are looking to target or which products will be launching in '25? Some rough sense of...

Glenn Saldanha: I don't think so, Nitin. I think -- I mean, we've given you enough of thoughts on how we are thinking about the U.S. business, right? I mean Respiratory, Injectables, these 2 platforms will be major contributors in FY '25, right, along with some oral solids and some drug device products, right? But I think the focus is clearly on these areas, right, to build these areas over time.

Nitin Agarwal: Secondly, on oncology and the Innovation part of oncology, what are the timelines for the milestones to sort of track over the next few quarters now?

Glenn Saldanha: I mean 2001 and 1442 should read out in the current year, right, in FY '25, basically. Both these assets should read out in -- and of course, 54276, the HPK1, all 3 should read out in FY '25. So that will be pretty significant, right, for the IGI piece, right?

And we clearly recognize that all 3 will not move forward, right? But even if 1 or 2 of these go forward, they are all blockbuster potential, right, all these 3 assets. So that will give a good runway in terms of our pipeline going forward.

Nitin Agarwal: Is it fair to assume, Glenn, that whatever moves forward will move through a licensing route only, in a sense you will not be doing the entire forward sort of trials -- future trials on your own on whichever product moves forward?

Glenn Saldanha: That's correct. I mean, partnerships are a given for us, right? All these assets, I mean, we will partner at some stage.

Nitin Agarwal: Right. And lastly, Mani, what should be the working capital level we should work with now for FY '25?

V. S. Mani: I think we can work at about 100 days.

Nitin Agarwal: 100 days...

V. S. Mani: Yes, it's already come out, so it will be closer to 100 days.

Nitin Agarwal: Okay. And last thing, Glenn, for the India sales, we should look at what annualized number of what, INR1,100 crores, INR1,200 crores per quarter for next year, right? They should not that…

Glenn Saldanha: Yes. So I mean, the run rate right now is about INR1,000 crores a quarter. That will grow by about 10%, 12% next year.

Moderator: The next question is from the line of Viren Deshpande from Alphapeak Investments.

Viren Deshpande: I would like to know the -- what is the -- out of this one-time impact which we have taken, what is the write-off of the stock?

V. S. Mani: There is no write-off of the stock, Viren. As we just explained that there was such inventory in the channel. All we have done is we have not supplied to the channel. That is why if you look at it, even IQVIA continuously report at about 11.9% growth in the last quarter. So the secondary sales are very healthy and doing well. It was just the channel inventory was there., we were not supplied more. That's it, as simple as that.

Viren Deshpande: Okay. So that supply will get postponed in the next quarter?

V. S. Mani: Not postponed, obviously, in a way, if you look at it, now going forward, your secondary and your reported all will be in line, okay? So there was some inventory built over years in the channel, which are used up now to supply for this quarter. So secondary sales are good. That is why you see the improvement in the working capital also. That is how the debt was going down. So that's the way to look at it.

Viren Deshpande: Okay. And with respect to the stake sale, we expect to get about INR5,600-odd crores Is it correct?

V. S. Mani: Yes, yes. And obviously, net of whatever taxes, etcetera, we should get about INR5,000 crores.

Viren Deshpande: You should get around INR5,000 crores. And I think we have to pay that U.S. liability out of that, say about INR700 crores, INR800 crores?

V. S. Mani: No. For your information, in the current year, we already paid off almost -- currently, I mean, beyond even -- the third quarter, almost 60 million, we have paid off. Only 30 million remains. I think we would be able to manage that.

Let me explain. That money will go purely to pay off the debt which we have in our books, which is close to what about INR4,900 crores, So that's why we're guiding that we'll be net cash positive at the end of the year.

Viren Deshpande: By March end we hope to be debt-free?

V. S. Mani: Yes, obviously, because this transaction should get culminated in the month of early March. So once we are done with that, the money comes in -- that is a net cash positive, that most of the debt could get repaid, but some because of approvals, etcetera, because the receipt is short-term. So therefore, we may take some time to pay. But broadly, net cash would be positive.

Viren Deshpande: In the last call, you had mentioned that excluding GLS, that is this Glenmark Life Sciences, after that, we will -- currently, we have the operating margins of around 15.8% or 16% odd. And we hope to reduce our R&D cost by about 1% to 2%. And so the margins should be in the range of about 17%, 18%. Is it correct?

V. S. Mani: Yes, it is better than that, so I'll guide you. So there is a trajectory to that. Obviously, I'll tell you later on, but what I would like to tell you is that the improvement in the margin will come through the reduction in the innovative spend, Ryaltris, some of the expansion in the market, all this will add together to obviously improve our margins.

Moderator: The next question is from the line of Harsh Kothari from Mizuho Bank.

Harsh Kothari: My question is that you mentioned that in your commentary that excluding this one-time India rationalization, the growth in revenue would have been about 12%. So I just wanted to get some information, that's on what basis? Are we saying that excluding this event, do you mean to say that this quarter would have been about INR1,200 crores if the rationalization wouldn't have done?

V. S. Mani: It would happen closer to INR1,100 crores because India, we report about 260, what I'm saying, would return about INR850-odd crores. So about INR1100 crores. So that would have been -- I think India would have been a growth of around 6% or so.

And that IQVIA sales about 12%. Obviously, there were some disruptions like this, so we wanted to take a one-time correction. That's why we did. If you add that, then take it from the last year, arithmetic simply gets to 12% on a year-to-date basis.

Moderator: The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services.

Tushar Manudhane: Sir, just a clarification on the R&D spend, particularly for 4Q FY '24. And then you had already highlighted about FY '25 R&D spend going down by $30 million, $35 million. But let's say, for 4Q, how much do we consider?

V. S. Mani: So broadly, the run rate will be the same. We've been doing at about 290 to 300. It will be around the same. So obviously, we have guided this will be to over 8.5. Subject to this correction, it would have been around 8.5.

Moderator: The next question is from the line of Ramana Murty Malla from Ramana Murthy and Co.

Ramana Murty Malla: The company has taken a lot of steps to improve the working capital management, tenders, inventory management. Now from the finance side, I have a very -- thank you for giving an update on stake sale with the Glenmark Life Sciences. Money is expected to be received sometime in the month of March '24 or so. Now my point is the dividend distribution has been very low. Now what is the company's policy to pay dividends to the shareholders?

Second thing is one-time gain. Whatever you're going to make on the stake sale, there are two interim dividends were declared, one in the month of March, and in the recent past also. So are there any policies passing on the dividends to the shareholders with Glenmark, basically that will help you to save taxation?

Number one. Otherwise you end up in paying tax on the amount whatever dividend you would receive from the subsidiary. So I just want to know, from the taxation point, what is the company policy?

V. S. Mani: So two things. First of all, this money doesn't come to me from the subsidiary. This company has held the stake. So obviously, get a long-term capital gain from the acquirer. And as far as the dividend policy is concerned, obviously, we've been frugal over the years, but we'll discuss it appropriately at the year-end Board meeting, okay.

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: Thanks, Lizanne. Before we end the call, we'll just read out the disclaimer. The discussion during this call, including information, statements and analysis describing the company or its affiliates' objective, projections and estimates are forward-looking statements. These are based on current expectations, forecasts and assumptions, and are subject to risks and uncertainties, which could cause the actual outcomes to differ materially depending upon economic conditions, sovereign policies and other incidental factors.

So all this document should not be regarded by recipients as a subject -- as a substitute for the exercise of their own their judgments. And the company undertakes no obligations to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

With that, we can close the call. Thank you, everyone, 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.