“Glenmark Pharmaceuticals Limited Q4 FY22 Earnings Conference Call”

May 30, 2022

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Moderator: Ladies and gentlemen, good day and welcome to Q4 FY22 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. Ravi Agrawal - Head of Investor Relations for Glenmark Pharmaceuticals Limited. Thank you and over to you, sir.

Ravi Agrawal: Thank you, moderator. Good morning everyone and a warm welcome to the Q4 FY22 Results Conference Call of Glenmark Pharmaceuticals Limited. Before we start the call, a review of operations of the Company for the quarter and year ended March 31st, 2022. For the fourth quarter of FY22, Glenmark's consolidated revenue was at Rs. 30,191 million recording an increase of 5.6% year-on-year. For the year ending March 31st, 2022, Glenmark's consolidated revenue was at Rs. 123,049 million recording an increase of 12.4% year-on-year.

Before we get into the detailed discussion on the businesses, the following were the **key highlights of the year:**

1. Glenmark listed its wholly owned API subsidiary, Glenmark Lifesciences Limited on the Indian Exchanges. The IPO which consisted of a fresh issue of Rs. 10.6 billion, an offer of first sale of up to Rs. 6.3 million shares by the Company was subscribed by over 44x.
2. Glenmark was listed in the prestigious Dow Jones Sustainability Index for the fourth consecutive year. The Company is amongst only 15 companies from India to be listed on the DJSI emerging markets index this year. Also, Glenmark was the first domestic pharma Company to raise sustainability linked loans by raising $228 million in SLLs during the year. A detailed ESG profile of the Company is available under the Investor Section on our website.
3. In third quarter FY22, Ichnos entered into an exclusive licensing agreement with Almirall SA for the IL-1RAP antagonist ISB 880. Under the agreement, Almirall is granted global rise to develop and commercialize this monoclonal antibody for autoimmune disease. Ichnos received an upfront payment of €20.8 million and will receive additional development and commercial milestone payment and tiered royalties based upon future global sales.
4. As per IQVIA in April 21, Fabiflu became the highest selling drug in the Indian pharma market amongst all therapies. The success of Fabiflu is a testament to the end-to-end capabilities of Glenmark to offer patient's quality medicines with affordable access.
5. Glenmark was selected for the production linked incentive PLI scheme aimed at improving India's manufacturing capabilities and enhancing exports. Glenmark is one of 11 companies under group A selected for a scheme.

6. Europe business achieved significant milestones of $200 million USD annual revenue for the first time.
7. Glenmark had several success in its core respiratory franchise during the year. The Company received US FDA approval for its NDA product Ryaltris in the US and marketing approval in all 17 markets across EU and UK during the year.

On to the businesses:

First the India business:

Sales from the formulation business in India for the fourth quarter FY22 was at Rs. 8,847 million as against Rs. 8,238 million in the previous corresponding quarter recording growth of 7.4% year-on-year. The India business contribution was at 29% of the total revenues in Q4.

As per Jan-March 22, IQVIA data, the non-COVID based portfolio grew 15.5% as compared to the non-COVID IPM growth of 10.6% during the quarter.

The India business continues to significantly outperform industry growth rates continuing the trend of the past several years. As per IQVIA data, Glenmark was one of the fastest growing companies in the industry among the top 20 players on the March 22 basis with growth of 23.8% as compared to IPM growth of 17.4%. For the year, Glenmark's India Formulation business has ranked 13, up one rank from last year and its market share has increased to 2.4% as compared to 2.34% last year.

In terms of market share:

Glenmark's India business further strengthened its position, its core therapeutic areas such as Cardiac and Respiratory. As per the IQVIA MAT March 2022, the Cardiac segment's market share increased to 4.96% as compared to 4.76% last year. The Respiratory segment's market share increased to 5.43% as compared to 4.96% last year. The Company was ranked second in Derma, fourth in Respi and sixth in Cardiac segment during the year.

The India Formulation business achieved several important milestones during the financial year. As per IQVIA MAT December 2021, Fabiflu was the sixth largest brand across all brands in India during the period. Ascoril D plus became the tenth brand of Glenmark to enter IPM 300 brand league. The Company now has 10 brands in the top IPM 300 brands from 6 brands last year.

The Company launched 7 new products during the quarter and 31 products during the year. Amongst key launches during the quarter, the Company launched the novel Zita Plus Pio which contains Teneligliptin (20 mg) + Pioglitazone (15 mg) to be taken once a day and it is the first

of its kind of India offering a world-class and affordable treatment option to adult diabetic patients.

Glenmark's Consumer Care business:

GCC business recorded revenue of Rs. 619 million in the fourth quarter and Rs. 1,790 million in FY22 with secondary sales growth of 23.4% in Q4 and 12.6% year-on-year in FY22 respectively. This growth was led by new product launches especially Candid Cream where second sales grew 30% year-on-year annually while LA Shield recorded secondary sales growth of 95% year-on-year. Candid powder maintained its dominant market leadership status with the market share of 63% in the current financial year. The Company also launched Candid Prickly Heat Powder during the quarter.

Coming to North America:

North America registered revenues from the sales of finished dosage formulation of Rs. 7,378 million which is $98.2 million in Q4 FY22 as against revenues of Rs. 8,012 million which is USD 109.8 million for the previous corresponding quarter recording a degrowth of 7.9% year-on-year. The North America business contributed 24% of the total revenues in Q4 FY22 as compared to 28% in Q4 FY21. In FY22, Glenmark was granted approval of 9 ANDAs comprised of 7 final approvals and 2 tentative approvals. Additionally, Glenmark was granted a second tentative approval on the prior approval supplement for the 0.25 mg strength of Fingolimod capsules. Notable approvals included Lacosamide tablets, Clindamycin Phosphate foam and Theophylline Extended-Release tablets. The Company filed the total of 19 ANDA applications with the US FDAs in FY22 and plans to file 14 to 15 ANDAs in FY23. Glenmark completed the successful launch of 10 new products during FY22 consisting of a mix of semi-solid preparation and delayed and immediate release oral solids. Notable launches included Lacosamide tablets and Rufinamide tablets where Glenmark was one of the first generics available for launch.

Glenmark Canada:

Glenmark Canada filed two ANDS applications with the Canadian Health Authorities this quarter.

Glenmark's marketing portfolio through 31st March 2022 consists of 174 generic products authorized for distribution in the US market. The Company currently has 46 applications pending in various stages of the approval process with the FDA of which 20 are Para-IV applications.

Europe:

Glenmark's Europe operations recorded revenue for Q4 FY22 was at Rs. 4,968 million as against Rs. 4,223 million recording growth of 17.6% year-on-year and 30.5% quarter-on-quarter. The Europe business **contributed 16%** of the total revenues in Q4 FY22 compared to 15% in Q4 FY21. The Company witnessed healthy growth in both these key markets of Western Europe and Central Eastern Europe during the quarter. With the continuous easing of COVID restrictions, growth in Western Europe was strong led by double digit growth in key markets at Netherlands, Spain and the Nordic countries. The Central Eastern European region maintained its strong growth trajectory especially in markets like Poland. Amongst the key launches, the Company launched four products in Germany, three in UK and two products in Czech Republic respectively.

Slovenia and Germany launched one product each during the quarter. Glenmark has a comprehensive plan to grow its European business going ahead including geographical expansion in new markets and expansion of its product portfolio to leverage launches in key therapeutic segments like Respiratory and Dermatology.

Talking about the ROW, which consists of Asia, MEA, LATAM, and RCIS Region:

For Q4 FY22, revenues from ROW was at Rs. 5,479 million as against Rs. 4,641 million for the previous corresponding quarter recording a growth of 18.1% year-on-year. ROW business contributed 18% of the total revenues in Q4 FY22 as compared to 16% in Q4 FY21. The Company witnessed healthy growth in base business in the region across all its key geographical segments.

As per IQVIA Jan-March 22, secondary sales grew 31% year-on-year in value terms in Russia. The Company recently received the approval for Ambroxol Solution and the overall response to Ryaltris and Ryaltris Mono has been very encouraging in the market. The Company has various strategic initiatives to strengthen its respiratory franchise in the region going ahead.

Secondary sales in Asia grew 53% year-on-year led by positive momentum in key markets like Vietnam, Malaysia and Philippines. The Company successfully launched FabiSpray® in Singapore and Hong Kong this quarter under the brand name VirX® and the Company has plans to launch in multiple markets in the region in the coming financial year.

The Middle East and Africa region recorded primary sales growth of 13% year-on-year during the quarter with positive growth across major MEA markets like Kenya, South Africa and Saudi Arabia. The Company expects the momentum to continue in FY23 as markets are witnessing signs of recoveries due to the easing of lockdown measures.

In LATAM, where the Company recorded positive growth momentum in markets like Peru, Ecuador and Columbia during the quarter. The overall business has been impacted by Brazil

where the market remain challenging for the Company due to the pandemic. The Company is witnessing signs of recovery and expects positive momentum in the markets going ahead.

I would like to share some color on various initiatives in the Respiratory segment where the Company has laid out the clear strategic growth map to create global scale.

Ryaltris is our innovative branded nasal spray where we are creating our first global brand.

Glenmark received NDA approval from the FDA in FY22 and expect to launch the product in the US in FY23.

Similarly, we received marketing approval for all EU markets in UK in FY22 and have launched Ryaltris in UK, Czech Republic, Poland, Italy and plan to launch in several markets in FY23 including Belgium, Ireland and Nordic countries.

Similarly, in ROW markets, Ryaltris has been launched in Russia, Australia, South Africa, Ukraine, Uzbekistan, Philippines, Peru, Ecuador, Namibia and Botswana and we are awaiting regulatory approval in several markets including Brazil, Malaysia, South Korea, Cambodia in FY23.

Apart from Ryaltris, the Company plans to file at least one to two filings in FY23 in Europe and leverage its existing branded portfolio of Soprobec® which is Beclamethasone MDI, Salmex which is Salmeterol and Fluticasone DPI, Tiogiva® which is Tiotropium DPI and Ryaltris to grow the European respiratory franchise.

In addition, in the US, the Company recently completed a pivotal biostudy on Flovent pMDI and initiated clinical trials with 2,634 patients with expected filing in CY23. We also plan to file one more product in CY23 in the US.

Coming to our innovation R&D pipeline:

GBR 310:

Glenmark has announced successful Phase-1 results for GBR 310 that suggest similarity in pharmacokinetic, pharmacodynamic, safety, and immunogenicity profiles between GBR 310 and the reference product, Omalizumab, marketed in the US under the brand name Xolair. Glenmark is in discussions with potential partners to out-license the products.

GRC 39815:

GRC 39815 is currently under Phase-1 clinical developments in the US with Phase-1 multiple ascending dose study planned in H1 FY23.

In GRC 17536:

IN GRC 17536, the Phase-2(b) study was initiated in Q2 FY22 and is currently ongoing in India with 238 patients randomized out of total 472 patients till date with interim data for futility analysis expected by Q2 FY23. GLP toxicology studies for metabolite qualifications were completed in Q3 FY22, the Company plans to hold discussions with the FDA to get feedback on the non-clinical package to support the clinical development up to ANDA filing this year.

GRC 54276:

IND-Enabling Studies were completed with the Phase-1 submission to the DGCI in Q4 FY22. The Company has recently received approval for initiation of Phase-1 study and first patient visits are planned from Q1 FY23.

Glenmark Lifesciences:

Revenues from operations including captive sales were at Rs. 5,140.6 million as against Rs. 4,671.6 million growing at 10% year-on-year for Q4 FY22 and Rs. 21,232.1 million for FY22, a growth of 12.6%. EBITDA was at Rs. 1,473.1 million for Q4 FY22 with margins of 28.7% and Rs. 6,307.6 million for FY22 with margins at 29.7%.

The external sales for Glenmark Lifesciences were at Rs. 3,283 million as against Rs. 3,311 million in Q4 FY21.

The Company is in the process of executing Brownfield and Greenfield capacity expansion products to support strategic growth levers. For further updates on the organization, please log onto www.glenmarklifesciences.com.

Ichnos:

Glenmark has invested Rs. 1,640 million which is $21.9 million USD in the fourth quarter of financial year as compared to Rs. 1,880 million which is $26 million in Q4 FY21. Thus, in FY22, Glenmark invested Rs. 6,627 million which is USD 89.4 million as compared to Rs. 7,570 million which is USD 102.3 million in FY21. For further updates on the pipeline and the organization, please log on to www.ichnossciences.com. The pipeline update for the fourth quarter is published on this site.

Key objective for FY23:

- We expect revenue growth of 6% to 8% during the year.
- We expect to sustain EBITDA margin performance at similar levels of FY22.
- We expect CAPEX of $7 to $8 billion for the year.

- We expect to close 1 to 2 out-licensing agreements in the innovation pipeline and strategic priority to enhance free cash generation for further debt reduction will continue.

From notes on the results, there is a COVID related inventory provision of Rs. 38.8 crores in Q4 FY22. There is an additional Rs. 80 to Rs. 90 crores of COVID related products in the trade channels which we will review in the coming quarters. Forex gain for the quarter was at Rs. 92 crores and Rs. 88 crores in FY22 which is recorded in other income. Gross debt for the period ending 31st March 2022 was at Rs. 3,670 crores as compared to Rs. 4,687 crores as on 31st March 2021, a reduction of Rs. 1,017 crores.

Net debt for the period ending 31st March 2022 was at Rs. 2,260 crores as compared to Rs. 3,549 crores as on 31st March 2021. The total net debt reduction was at Rs. 1,289 crores. Inventory for the period ended 31st March 2022 was at Rs. 2,500 crores as compared to Rs. 2,277 crores as on 31st March 2021.

Receivables for the period ending 31st March 2022 was at Rs. 3,101 crores as compared to Rs. 2,572 crores as on 31st March 2021. Payables for the period ending 31st March 2022 was at Rs. 2,289 crores as compared to Rs. 2,238 crores as on 31st March 2021. Networking capital for the Company increased by Rs. 701 crores in FY22. The total asset addition was at Rs. 292 crores in the quarter and Rs. 790 crores in FY22. Of this, the tangible asset addition for the quarter was at Rs. 235 crores and Rs. 612 crores in FY22. Total R&D expenditure for the fourth quarter was at Rs. 323 crores which was 10.7% to net sales for the quarter and Rs. 1,239 crores for FY22 which is 10.1% of net sales.

With this, I would like to introduce the management of Glenmark on the call:

We have Mr. Glenn Saldanha - Chairman and Managing Director and also Mr. V. S. Mani - Executive Director and Global CFO. I would also like to introduce Brendan O'Grady who will be joining the Company as a Chief Executive Officer, Global Formulations Business with effect from 10th June 2022. Brendan will lead the commercial business units for GPL and provide strategic leadership for bringing greater focus and alignment of all regions and therapeutic areas. Brendan comes with over 3 decades of rich experience in the pharmaceutical industry, spread across both generics and specialty segments, where he has successfully led and transformed businesses for growth across multiple geographies globally. In his last engagement prior to Glenmark, Brendan was a Chief Growth and Commercial Officer for Amwell wherein he provided strategic leadership to Amwell's global business operations. Prior to that, he was associated with Teva as the President and CEO, Teva USA and EVP North America commercial. Brendan spent over 2 decades at Teva during which he was instrumental in stabilizing and growing the North American business, revitalizing the global specialty strategy and making significant contributions to market access strategies, brand acquisitions and integration. He also has significant and successful stints with Sanofi Pharma and SC Johnson & Son at the beginning

of his carrier. Robert Crockart – Chief Commercial Officer has decided to pursue opportunities outside Glenmark. We should wish to thank for his valuable contributions with the organization during his tenure and wish him the best for his future endeavor.

I would request Brendan to share a few words.

Brendan O'Grady: Thank you and good morning. As you know, my name is Brendan O'Grady. I am very excited to join Glenmark on June 10th and bring my nearly 3 decades of experience to the Glenmark team. My purpose this morning is to just really introduce myself and say hello and just let you all know that I look forward to speaking with you more on future quarterly calls, so thank you and really looking forward to join with you.

Ravi Agrawal: Thank you, Brendan. With this, we would like to open the floor for Q&A. Over to you, moderator.

Moderator: Thank you very much. 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 Securities and Capital Markets India Private Limited. Please go ahead.

Damayanti Kerai: My first question is, in fourth quarter exceptional items have gone Rs. 825 million, you mentioned it related to some product records and remediation cost of Monroe, so can you update us like what is happening at Monroe, like why do we need to carry out remediation and what kind of sales pickup we are expecting from that facility because I understand it is one of the key driver for our US sales going ahead?

Glenn Saldanha: So, just to give you a quick update on Glenmark's US business, so we currently have 5 FDA approved manufacturing facilities that formulation facility is that supply to the US, Monroe is one of them. As regard to the Monroe facility, as you remember, we had a voluntary recall to the middle of around August of last year and since then we have been remediating the facility and we haven't supplied product in Q3 and Q4 in the market. So, lot of these cost are related to the recall expenses than the remediation cost. You are probably also aware that we recently had an FDA inspection and get 17 observations that came out of Monroe and basically we are confident of addressing some of these observations and post that we will start commercializing product for Monroe. It is a new facility.

Damayanti Kerai: So, right now, no supplies and you are working to resolve the issues which are raised by the US FDA, right?

Glenn Saldanha: That is correct.

Damayanti Kerai: And once these are resolved, supply will start and normalize?

Glenn Saldanha: That is correct.

Damayanti Kerai: And my second question is again on the US business, so how is the pricing erosion environment there right now, are we seeing some sign of improvement or it is same as what we saw in the previous quarter and how you should look at this part of business in next few quarters?

Glenn Saldanha: I think the US pricing environment continues to stay challenging, right, we still continue to see around high single digit price erosion in the US and we believe that will continue into next year.

Damayanti Kerai: My last question is, during the quarter, we see especially high amount of other income, is there any one-off which is recorded in this number?

V. S. Mani: The other income basically has an exchange gain which we had just told Rs. 92 crores, so that is the only reason.

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

Saion Mukherjee: Mani sir, can you share what is the total cost that we have incurred in the P&L from the Monroe side in fiscal 22 and how much will that be in fiscal 23?

V. S. Mani: Saion, obviously, we spent about Rs. 30 million in Monroe last year out of which about 10 million hits the P&L and going forward, current year at least it will be lower because some part of the year in the remediating mode. I would expect it to go lower in the current year.

Saion Mukherjee: So, Rs. 10 million was the P&L impact?

V. S. Mani: Yes, P&L impact.

Saion Mukherjee: And Glenn, the question on Monroe again, it sort of had not a great start, we had to recall product and not producing anything there, the whole idea I thought was that to have a new facility which kind of you can ensure compliance and execution, so what went wrong there in your view and what are your thoughts now given that it may take long to sort of resolve these issues?

Glenn Saldanha: So, Saion, running a facility in the US has been a struggle for most of the Indian manufactures, in fact if you see in the last quarter, almost 4 of our peer companies ended up closing down their facilities in the US, so it has been a struggle. We still believe that we are confident that we will be able to remediate the issues that we have faced at Monroe and hopefully this year around the Q4 of this year, we should start supply product back to the market, that is where we are going with it, but it has been a challenge.

Saion Mukherjee: But Glenn, why should that be a challenge, what are the issues that a facility in the US faces versus let us say in India and especially this is a very new facility without any legacy?

Glenn Saldanha: I can't give you a lot of details Saion, but running a facility in the US is not an easy task. Even the lives of Teva, you must have seen recently had to shut down their Irvine facility if I am not mistaken, so it is never easy.

Saion Mukherjee: Mani sir, there is a question on the cash flow statement, there is an unrealized foreign exchange gain that you booked to Rs. 27 crores, now this number is higher than what you have disclosed in the P&L for the year which is around Rs. 88 crores and this has been a gain for the last 5 years, so what kind of gain is this that you are booking in the P&L which is not leading to cash flows?

V. S. Mani: Saion, obviously at the end of the year there is your overall all your receivables, your payables, your any other kind of loans given, etc., all are restated and obviously some part of that finds its way to the P&L, but broadly when, this is just a reconciliation to the cash, so when you do that you will obviously have some element of profit in some of these which are not yet realized, so that is what they have shown, but in the coming year, when you realize money, it automatically get adjusted in that. This is a very normal entry in most companies, every Company will find this.

Moderator: Thank you. The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Just the first one on the guidance, just looking at your Slide #21, revenue growth of 6% to 8% and similar EBITDA, so just revenue growth we have done about like 12%, 12.5% this year, so what is dragging us down, is it the fourth quarter run rate which has been slower and which geographies you think will kind of lead where you think there is still pressure?

Glenn Saldanha: Shyam, if you strip out the COVID drug sales that we add in this year, our revenue growth is double digit, so we still believe that and even on a consistent basis, if you strip out the COVID drug sales that we had this year and last year, we are growing double digit despite the US being slower than the rest of the geographies. So, it just tells you the momentum that we have in the business and we think we will sustain that for the coming year. We have great product launches, Ryaltris will be a big contributor to the coming year for us, so I think the 6% to 8% is because of the high base of COVID drugs that we have in this year. If you strip that out, it is double digit growth.

Shyam Srinivasan: So, I was talking about the EBITDA margin guidance remains similar, so we have now done two years of similar kind of an EBITDA, so is there any hope that overtime we can achieve **_32.10__** beyond the 20% levels, what could be some of the drivers, R&D I think you have kind

of starting to rationalize a lot more, so just want to understand that slightly more longer term out for EBITDA?

V. S. Mani: Shyam, this is Mani here, so we wanted to guide to a very realistic number, so I think as you know overall there is some amount of uncertainty, there is some amount of, there are geopolitical issues and also you have been seeing that the input costs are a little higher and sometimes the expenses also vary, so taking all this into it, we thought we should guide to 19% rather than to say anything more than that. So, I think we are hopeful to reach that.

Glenn Saldanha: Also, Shyam on the EBITDA we have two drivers, one is Ryaltris will be a significant contributor to the EBITDA and then secondly our gross margins should be better this year because COVID drug gross margins are lower compared to our overall gross margins for the business, so these two should further help the EBITDA, but as Mani said we have been conservative given the external environment.

Shyam Srinivasan: At least at this point of time, the thinking is that all the gains you can make out of this, say Ryaltris launch and all of that could be offset by raw material inflation, is that a correct….

Glenn Saldanha: That is correct, that is the view.

V. S. Mani: Also, just to add, Shyam while last year was a good year, the Q4 was a little bit of challenge because of various issues. I think the Q1 also you would see closer to 17-18%, it will not touch those level, so I think after the Q1 things should ramp up better, so these are the reasons why we feel the full year should be closer to where we were last year and the previous year.

Moderator: Thank you. The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: Sir, what is the kind of deleveraging that we are looking at for fiscal 23, any back of the envelope calculation in cash flows?

V. S. Mani: Sameer, this is Mani here, good morning, so we would not like to really put a number out, actually and obviously there has been some amount of challenges when you look across the supply chain. We are confident we should have some amount of deleveraging, but we don't want to put a number straight away. I feel things are okay, but sometimes our working capital skills have been little difficult this year, so I think we would definitely guide that we want to reduce it further, but would not want to put a broad number there.

Sameer Baisiwala: And the second question is, you talked about Ryaltris US launch sometime in fiscal 23, can you be a little bit more specific, is it like second half of this year that you are looking at?

Glenn Saldanha: Yes, it will most likely be second half, Sameer.

Sameer Baisiwala: And final question, good Flovent, so you talked about filing in calendar 23, so does that mean launch sometime in calendar 25 and if there is anything on the IP side which is blocking it?

Glenn Saldanha: Sameer, it is hard to predict the launch date, it could be earlier, but definitely by 25, we think this product should be on the market.

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

Nitin Agarwal: Mani, on the working capital, there has been a pretty sharp increase in receivables for the quarter and typically the financial issues have resulted in relatively high inventory across most companies, but in our case, the pressure seems to be coming to the receivables front, actually if you can help us understand what is happening there?

V. S. Mani: Yes, sure, so Nitin, there would have been some amount of increase in the debtors because of the growth in the activity and the business, but also because of certain geopolitical issues across, so there were some delays in perceiving some moneys, but we are now receiving all those collections also, so there was a little bit of sharp increase in that. So, that is mainly the reason. Inventory also went up, but a number of days we are doing quite okay and as far as the debtors goes, some portion of that is basically due to these issues that I just elaborated here, but we are getting all the collections, no problem.

Nitin Agarwal: And sir, we should relatively expect a reduction in the networking capital cycle this year now again, going back to the previous level?

V. S. Mani: I hope it happens Nitin, but as we can see, there have been challenges on the overall supply chain issues, so it is hard to predict right now, but we are hoping that this year it will kind of. On an overall basis, if I look at it really, Nitin our working capital has gone up by about 8-9 days, but considering all the issues that one has faced, be it China, be it Russia, I think it is something that we need to be mindful of as we go along.

Nitin Agarwal: Secondly, on the CAPEX guidance for the year, just Rs. 700 to Rs. 800 crores that you are looking at, how are you looking at, can you just give a broad breakup of this statement?

V. S. Mani: As you know, we are having number of Brownfield and Greenfield projects in our API, GLS, so that should be about Rs. 200 crores plus and we said we guided those between Rs. 700 and Rs. 800, so the balance obviously while we have brought down the in-licensing, whatever we did but it will still be there to some extent. Current year also our intangibles have been around Rs. 160 crores or so if you were to remove computers also out, still it will be Rs. 120-Rs. 130 crores, so we will continue to have some in-licensing spends. Besides that, obviously we will continue to have some normal CAPEX in GPL as well and some amount on the R&D side as well, so all this put together will come close to that. Over the years, we have brought down Nitin from

almost 1000 to 900 to 750 odd. We are hoping if at best we can do something about it, but for a Company that wants to grow at double digits, some amount of CAPEX that has come in. So, that is how we are guiding to a number which we feel is realistic.

Nitin Agarwal: And lastly on Monroe, what has been our total CAPEX investment in the business so far?

V. S. Mani: So, far Nitin, we have spent almost about 200 million, all the three lines put together over the years.

Nitin Agarwal: And Glenn, when do we see returns on this 200 million investment in terms of meaning returns on this business, on this investment in your assessment?

Glenn Saldanha: So, Nitin, obviously it is going to take us sometime, right, but as I said, look Monroe is not the only facility that we are supplying to the US. We have four other facilities which are supplying product to the US and we continue to stay excited about the US business just given the Respiratory filings and everything else we are doing.

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

Saion Mukherjee: Sir, just wanted to check on the COVID write-off, so you said Rs. 38 crores of inventory written off this quarter, anything else that is spending sir which we will see?

V. S. Mani: So, that is why Saion, we gave a heads-up that in the channel obviously we know what is there, there is about almost Rs. 90 crores still in the channel, so while there is still time for them to expire or whatever, but we will take a call as we go along during the year as you can see some of the peers have had large write-offs when they expire. In our case, there is still a date, but we will review as we go along in the coming quarters.

Saion Mukherjee: And on the R&D spend, now given the clinical trials on Respiratory assets, how should we think about overall R&D spend and split between Ichnos and generics?

V. S. Mani: We will continue to spend normally about 10%, keep it flat Saion and Ichnos would be closer to half of that about 5% or little lower than that and generics would be the balance. As you can see over the last couple of years, we have been very careful about the way we spend in Ichnos, so we will continue to do that.

Saion Mukherjee: And Glenn, any update on Ichnos readouts, any timeline that you would like to share now?

Glenn Saldanha: It think this year there are four inflection points for Ichnos, right, 1342 we are hoping we will get POC within the next 3 months, 1442 we are starting clinicals and there is a possibility that this year because of the starting dose that has been approved by the FDA, we think in this

financial year there is a possibility we may get to POC and then 2001 which we recently announced, right, enters the clinics or we file our R&D in Q4 of this year and then of course one partnering deal is the minimum we expect this year from Ichnos. So, these are the four inflection points we think for the year for Ichnos.

Saion Mukherjee: And one last question on the US generics, should we expect growth in US this year given the price erosion or it could be a decline you think?

Glenn Saldanha: We think it will be a low single digit growth for the year.

Moderator: Thank you. The next question is from the line of Nimish Maheshwari from RSPN Ventures. Please go ahead.

Nimish Maheshwari: So, what is the management view on the COVID in this financial year 23 and ongoing situation?

Glenn Saldanha: We don't anticipate any COVID sales in FY23. You will have as part of endemic you will have some small pockets of COVID incidences happening, but we don't think you are going to see it as a pandemic in FY23, particularly in India you may see some countries which still have COVID cases and we also export product off and on to some of these countries, but in India we don't anticipate any COVID sales in FY23.

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

Ravi Agrawal: Thank you moderator. We will read the disclaimer before we end. The information, statements and analysis made in this document describing Company's or its affiliates' objectives, projections and estimates are forward-looking statements. These statements are based on current expectations, forecasts 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 incidental factors. No representation or warranty, either expressed or implied, is provided in relation to this document. This document should not be regarded by recipients as a substitute for the exercise of their own judgment. The Company undertakes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. With this, we end the call today. A big thank you to all of you for joining us on the call.

Moderator: Thank you. 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.