



“Glenmark Pharmaceuticals Limited  
Q4 FY’23 Earnings Conference Call”

May 22, 2023



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**Moderator:**

Good morning, ladies and gentlemen. Welcome to the Q4 FY '23 Earnings Conference Call of Glenmark Pharmaceuticals Limited. As a reminder, all participants' 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, and welcome to the Q4 FY '23 Results Conference Call of Glenmark Pharmaceuticals Limited. Before we begin the Q&A, let's review the overall performance of the company for the quarter ended March 31, 2023.

For the fourth quarter of FY '23, Glenmark's consolidated revenue was at INR33,737 million as against INR30,191 million in the corresponding quarter last year, recording a Y-o-Y growth of 11.7%. For the 12 months of FY '23, Glenmark's consolidated revenue from operations was at INR1,29,901 million as against INR1,23,049 million, recording an overall growth of 5.6% on a Y-o-Y basis.

In terms of key highlights for the financial year FY '23. As per IQVIA MAT March 2023, Glenmark is now ranked second in the respiratory segment of the India market with 1.5 times higher value growth compared to the overall respiratory market and Glenmark is now ranked second across dermatology and respiratory, which are the 2 of the key therapy areas for Glenmark in the India market.

Glenmark's Europe business recorded revenues of USD225 million plus recording -- continuing the strong growth momentum over the last couple of years. Glenmark's ROW business also recorded 20-plus percent growth across all the subregions. This was driven by key product launches across respiratory and dermatology. Ryaltris was approved in the U.S. and was launched by Hikma Glenmark's commercial partner. And in FY '23, Ryaltris was launched in 12 markets, either on our own or through our commercial partners. In totality, Ryaltris is now being commercialized across 27 markets in the world.

Proof of concept studies were also initiated for 4 clinical oncology assets, which are part of the Glenmark and the Ichnos development pipeline. Study readouts for all 4 molecules are expected in FY '24. And Glenmark's partnered asset in immunology ISB -- Ichnos partnered asset in immunology ISB 880 progressed to Phase I studies, and these were initiated by our development partner, Almirall. We'll just review the -- each of the key businesses on the formulation side, starting with India.

Sales for the formulation business in India for the fourth quarter of FY '23 were at INR8,284 million as against INR8,847 million in the previous corresponding quarter, recording a decline of 6.4%. The decline was mainly on account of impact of divestment of few noncore brands, some impact of the NLEM price revision as well as return of COVID-related products.

Adjusted for these impacts, the India business recorded a Y-o-Y growth of 5.1% in Q4 FY '23. India business contribution was at 31% for the full year FY '23 compared to 33% last year. Glenmark's India business continues to significantly outperform industry growth rates as per IQVIA Q4 data. Glenmark's India formulation business recorded a growth of 18.2% compared to the industry growth of 14.4%.

Furthermore, as per IQVIA MAT March 2023, excluding COVID portfolio, Glenmark's India business grew by 12.3% compared to overall industry growth of 9.5%. Glenmark India business continues to be ranked 14th with a market share of 2.12% as per IQVIA MAT March '23. In terms of key therapeutic areas, as mentioned before, Glenmark is now ranked second in the respiratory segment, continues to be ranked second in dermatology, fifth in the cardiac segment and 14th in diabetes.

Glenmark continues to have 9 brands in the IPM top 300 brands in the country. During the quarter, Glenmark's India business also improved its market share across key therapeutic areas. As per March -- as per MAT March 2023 IQVIA data, dermatology market share increased to 7.35%. The company's market share in respiratory increased to 5.59%, while the cardiac market share increased to 5.17%. And Glenmark's share in the diabetes market is 2.31%.

The company launched multiple new products during the quarter and continues to gain share in some of its key launches across segments. In Q4, Glenmark became the first company to launch Lobeglitazone and Metformin combination, brand name LOBG-M in India for the treatment of type 2 diabetes in adults, particularly for insulin resistant diabetic individuals.

Earlier in FY '23, Glenmark also launched FDCs of Tenziglitazone, Pioglitazone, Metformin under the brand name Zita-PioMet. Glenmark has also launched FDCs of Tenziglitazone, including its combination with Pioglitazone and Dapagliflozin as well as the Sitagliptin and a range of Sitagliptin related FDCs as well as Lobeglitazone. This emphasizes Glenmark's overall focus on the diabetes segment.

In the Cardiac segment, also Glenmark launched Sacubitril, Valsartan under the brand name Sacu V for the treatment of heart failure. This product is a combination belonging to the class angiotensin receptor neprilysin inhibitors. This drug helps reduce the risk of cardiovascular-related deaths and hospitalization. Company continues to have an overall healthy pipeline of differentiated products across its key therapeutic areas, which is the plans to launch in the market going forward.

For the India, consumer care business, primary sales for the GCC business in Q4 was INR672 million, with a growth of 9%, which was mirrored by a strong double-digit secondary growth of 15%. This was driven by increasing volume growth for keep brand Candid Powder and La Shield. Our new product introduction such as La Shield Pollution Protect, La Shield Probiotic Moisturizer and Scalpe Pro Shampoo also contributed to the growth. For the 12 months of FY '23, GCC revenue stands at INR2,330 million with a YTD growth of 30 plus percent. Our flagship brand Candid delivered revenue growth of 17% in FY '23, La Shield delivered 53% growth in Q4 and 70% growth in FY '23 and Scalpe portfolio recorded 13% growth, both in Q4 as well as in FY '23.

Moving on to North America. The North America business registered revenue of INR8,507 million for the fourth quarter of FY '23 as against revenue of INR8,373 million for the third quarter of FY '23, recording a quarter-on-quarter growth of 1.6%. Y-o-Y growth for the North American business was 15.3%. For the 12 months of FY '23, North America business contribution was at 24% compared to 25% in FY '22.

In FY '23, Glenmark was granted approval for 10 ANDAs comprising of 6 final approvals, 2 tentative approvals and 2 prior approval supplements. Some of the notable approvals included sodium phenylbutyrate tablets, nicardipine hydrochloride capsules, clindamycin hydrochloride capsules. The company filed 6 ANDAs in the fourth quarter of FY '23 and 8 ANDA applications for the fiscal year '23. Company plans to file 2 to 3 applications in the forthcoming quarter and a total of 10 to 12 ANDAs in FY '24.

Glenmark successfully launched 8 new products during the fiscal year '23 in the North American market consisting of a mix of immediate release oral solids as well as injectable products. Notable launches included Ezetimibe Tablets USP; Abiraterone Tablets USP; Fingolimod Capsules, Sodium Phenylbutyrate, Nicardipine. In the fourth quarter, Glenmark also launched Bumetanide Injection, single-dose vial, and multi-dose vial, as well as terflunomide tablet. Glenmark was one of the first generics to launch terflunomide tablets.

During the quarter, Glenmark also announced exclusive distribution agreement with Cediprof for the U.S. FDA-approved Mixed Amphetamines Immediate-Release Tablets. Glenmark's marketing portfolio in the U.S. consists of 183 generic products authorized for distribution. The company has 45 applications pending at various stages of the approval process of which 21 are Para IV filings. The company and its U.S. subsidiary, Glenmark Pharmaceuticals Inc. have subject to final documentation and approvals of the court. After the end of the accounting year FY '23 arrived at a settlement with 3 plaintiff groups collectively representing all of the claims against the company and in relation to multiple antitrust and consumer protection lawsuits, including a class action consolidated in the East District of Virginia, the U.S., for a total amount of USD87.5 million, which is payable over 2 financial years.

The financial settlement will be in accordance with separate agreements entered into with each of the plaintiff groups and will be subject to final approval by the court. The settlements will make clear that the company denies each and every of the allegations against it and the settlements are not on the basis of the company having conceded or admitted any liability, offense, wrongdoing, or illegality.

Moving on to Europe. Glenmark's Europe operations for the fourth quarter of FY '23 was at INR6,078 million as against INR4,968 million, recording a growth of 22.3%. For the 12 months of FY '23, Europe business contribution was 14% to the total revenue as compared to 12% in FY '22. The strong European business growth was driven by markets in both Western Europe as well as Central and Eastern Europe. Key markets in the CEE, such as the Czech recorded strong secondary sales growth of 20-plus percent during the quarter. Growth was driven by an uptick in the base business as well as new product launches.

The Western European business clocked high double-digit growth for Q4 with markets like the United Kingdom and Spain growing significantly. The U.K. recorded strong growth on the back of key launches in the generics business as well as uptick in the branded business as well. Glenmark ranks among the top 15 companies in the generic market of Germany. The respiratory portfolio launched by Glenmark in Europe also continues to do well. Key brands such as Ryaltris and Salmix have continued to sustain their market share both in value terms as well as volume terms across all CEE markets.

In addition to these, the company has also filed 4 additional respiratory products in the EU markets in FY '23, which would be launched over the next 2 to 3 years. Glenmark has also entered the Italian market and will be expanding across the country in the forthcoming quarters.

Moving on to the ROW region which consist of Asia, Middle East, Africa, Latin America and Russia, CIS. For the fourth quarter of FY '23, revenue from the consolidated ROW region was INR6,856 million as against INR5,479 million for the previous corresponding quarter, recording a growth of 25.1%. For the 12 months of FY '23, the ROW business contribution was at 18%, similar to that in FY '22.

The company witnessed healthy growth in the base business across all subregions of the ROW markets. In Russia, as per the YTD March and MAT March IQVIA data, Glenmark's Russia business recorded a growth of 10.3% in value versus overall retail market growth of about 2%. This has been driven by all key brands, including Ascoril, Ryaltris and Montlezir. Ryaltris also continues to sustain its momentum and is gaining further share in the market.

Amongst -- across the year, 4 new products are introduced in the market. In terms of key therapeutic areas, Glenmark recorded growth of 12% in value in the dermatology segment versus the overall dermatology market growth of about 6.7%. Amongst the dermatology companies in Russia, Glenmark ranks 11th, as per IQVIA MAT March 2023. Among the companies present in the expectorant market in Russia, Glenmark continues to maintain a strong position, ranking second as per the MAT March 2023 data.

Moving on to Asia, the overall environment remained challenging across some of the Asian markets like Sri Lanka, Myanmar, Vietnam. Amongst the key markets, the Philippines continued to record double-digit growth secondary sales growth for Glenmark. Dermatology and respiratory remain key therapy areas for Glenmark in Asia, contributing significantly to the overall sales. Ryaltris continues to do well. It was launched by Glenmark in the Malaysian market in the quarter 4, and it continues to gain value share in Australia through our commercial partner with 18.1% share across the top allergic rhinitis products.

Launched in South Korea in Q3 by Yuhan Corporation, Glenmark's partner, Ryaltris has also shown strong pickup in a short span -- time span with a double-digit market share already in the allergic rhinitis combinations market. Middle East, Africa recorded a 20-plus percent growth in secondary sales during the fourth quarter. During the financial year '23, Kenya market was impacted by macroeconomic instability. However, Glenmark business remained resilient. The company continues to be ranked third in the overall Kenya pharma market.

Further, the company continued to achieve strong secondary sales growth in South Africa and Saudi Arabia. Respiratory and dermatology again are key therapy areas contributing more than 60% to the overall sales of the EMEA region. And Ryaltris again is further expected to drive growth in the respiratory segment in this region as the product has launched across multiple markets in the first half of FY '24.

Finally, Latin America witnessed strong growth in Q4 as well as for the full year. Respiratory portfolio remains a key contributor for Glenmark in the Latin market. Glenmark Brazil achieved the highest growth rate among the top 20 companies in its covered market and the company maintains its rank amongst the top companies in the covered market of the chronic respiratory segment in Brazil as per IQVIA MAT data.

Secondary sales growth remained strong in Mexico as well, with Glenmark's business growing by 60-plus percent in value, while the overall Mexican market growth was close to 7%. We'll just cover some of the key products in respiratory starting with Ryaltris. So for Ryaltris, as of the end of fourth quarter of FY '23, marketing applications have been filed in more than 70 countries across the world. The product has been commercialized in 27 markets, including some of the major markets like the U.S., Europe, Australia, Russia, South Africa, and South Korea, this has been done by Glenmark through its own commercial channel or through our partners. Glenmark's partner in EU, Menarini initiated the commercial launch of Ryaltris in Austria, Belgium, France, and Spain in the fourth quarter of FY '23 and intends to launch the product in additional EU markets in FY '24.

Glenmark's commercial partners in the U.S., Hikma, continued to see strong new prescription and repeat prescription growth as the allergy season progresses through the country. Hikma also recently held a clinical advisory board and received positive feedback on Ryaltris from some of the senior allergy physicians in U.S. Glenmark's Canadian partner, Bausch launched Ryaltris in April 2023. And Glenmark's partner in Mainland China Grand Pharma aims to complete the ongoing Phase III trial and submit the marketing authorization in the second half of fiscal year '24.

Some of the market shares that Ryaltris has gained over the key geographies are mentioned in the MD&A., key being Australia with 18.1%. South Africa with 10.3%. Czech Republic with more than 15%; and Poland, around 6%. In terms of other key respiratory products, the clinical trial continues for generic Flovent pMDI, and we expect to file the NDA in FY '24. And we plan to file one more generic respiratory pMDI in the U.S. in FY '24 and continue our filing momentum beyond that.

Innovative R&D pipeline for Glenmark, GRC 54276. GRC 54276 is HPK1 inhibitor being developed as an orally administered immunotherapeutic agent for patients with solid tumors. GRC 54276 is a novel, orally active HPK1 inhibitor in preclinical studies and administered alone. It has demonstrated substantial antitumor effects which are further enhanced when administered in combination with currently available immunotherapy. GRC 54276 is being developed and is being evaluated in the first-in-human Phase I clinical study. Part 1a monotherapy phase of the study is ongoing in India since July 2022 and no dose limiting toxicities have been observed during this period.

To date, acceptance of the IND by U.S. FDA was received in the quarter 4 of FY '23. Initiation of the Part 1b of the study for GRC 54276 in combination with pembrolizumab and atelizumab in India and in the U.S. is planned in the first quarter of FY '24. GRC 39815 is the ROR gamma inhibitor, is the company's respiratory pipeline asset being developed as an inhale therapy for a mild to moderate COPD. It is currently under Phase I development in the U.S.

Moving on to Glenmark Life Sciences. Revenue from operations, including captive sales were at INR6,213 million, as against INR5,141 million, recording a Y-o-Y growth of 20-plus percent. Generic API revenues in Q4 were increased by 10.4% quarter on quarter and increased by 15.5% Y-o-Y the business witnessed steady growth momentum across regulated as well as emerging markets. And the CDMO business also doubled sequentially for GLS.

External sales for Glenmark Life Sciences in Q4 FY '23 were at INR3,831 million as against INR3,283 million in Q4 FY '22, recording a growth of 16.7%. For further updates on GLS, you can log on to their website, [glenmarklifesciences.com](http://glenmarklifesciences.com).

Ichnos Sciences, Glenmark invested INR1,906 million, this is about USD24 million in the fourth quarter of FY '23, compared to INR1,640 million, which is equivalent to \$22 million in the corresponding quarter last year. For the 12 months of FY '23, Glenmark invested INR6,833 million equivalents to USD85.2 million compared to INR6,627 million, which is equivalent to USD89.1 million, which was invested in FY '22.

For further updates on the pipeline and on Ichnos, please log onto their website, [ichnossciences.com](http://ichnossciences.com). The pipeline update for the fourth quarter of FY '23 has been published on their website. We would just like to state some of the key objectives for FY '24 that we have outlined. Consolidated revenue growth is targeted to be 10% to 11%. Consolidated R&D investment targeted to be 8% to 8.5% of total sales. Consolidated EBITDA margin of 19% to 20% plus, consolidated capex of INR6 billion to INR7 billion. Our priority remains to enhance free cash generation for further debt reduction, and we plan to close out at least one out-licensing deal in our innovation pipeline.

Some notes to the results before we open the Q&A. forex loss for the quarter was at INR78 crores, which is recorded in other income. And forex gain for FY '23 full year was at INR216 crores. Please refer to the Note 5 of the consolidated financial statements pertaining to the exceptional loss with regards to settlement of the generic Zetia litigation in the U.S. as well as divestment of select tail brands for India for both Q4 as well as for the full year of FY '23.

In terms of working capital, inventory for the period ended March 31, 2023, was at INR2,978 crores as against INR2,499 crores as of March 31, 2022. Receivables as of March 31, 2023, was at INR4,098 crores as against INR3,101 crores as of March 31, 2022, and payables as of March 31, 2023, was at INR2,392 crores compared to INR2,289 crores last year.

Total asset addition in the quarter was INR190.5 crores of which tangible asset addition was around INR151 crores. Total asset addition for the full year FY '23 was INR632.7 crores, of which tangible asset addition was around INR531 crores. Gross debt for the period ended March 31, 2023, was at INR4,348 crores as against INR3,670 crores as of March 31, 2022.



Net debt for the period ended March 31, 2023, was at INR2,905 crores as against INR2,260 crores as of March 31, 2022. Total R&D expenditure in Q4 was around INR336 crores, which is 10% of revenue for operations for the fourth quarter. For the full year, R&D expenditure was at INR1,240 crores, which is about 9.5% of revenue for the operations for the full year of FY '23.

Before we open the floor up for Q&A, I would like to introduce the management of Glenmark Pharmaceuticals Limited on the call today. We have with us Mr. Glenn Saldanha, Chairman and Managing Director; Mr. VS Mani, Executive Director, and Global Chief Financial Officer; and Mr. Brendan O'Grady, Chief Executive Officer of Global Formulation business.

With that, we'd like to open the floor up for Q&A. Over to you, moderator.

**Moderator:** Ladies and gentlemen, we will now begin for the question-and-answer session. The first question is from the line of Tarang Agrawal from Old Bridge Capital. Please go ahead.

**Tarang Agrawal:** Three bookkeeping questions from my side. One, what's the break-up of the exceptional item in the standalone business, is about negative INR485 crores. Second, if you could give me the equity investment amount and the loan investment amount in GHSA Switzerland as on March 31, '23. And third, what was the remediation cost for FY '23? And how has it been accounted?

**V. S. Mani:** Okay. I'll answer the question. So first is, obviously, the exceptional items that you wanted. So in terms of the exceptional items, the remediation cost for the quarter is INR91 crores. The legal cost is about INR137 crores during quarter okay, and so this is about INR228 crores. Also, the cost of the transaction that we did, there was the cost against that about INR111 crores, okay? And the remediation cost for the full year is about INR219 crores. This covers both India and the U.S., sides, both together.

**Tarang Agrawal:** Okay. So Mani, just 1 question. I mean, if remediation has been accounted for under exceptional item in the P&L, then why does it show up in the cash flow when I say the sale of intangibles net of remediation costs?

**V. S. Mani:** So there was some line item where I had to show it. Obviously, if I look at it, it was -- if you look at it in the balance sheet also, if you see the cash flow also, you will see there is INR57 crores line item. In that line item, you had these 2 brand assets sold during the year. So these 2 came to about INR650 crores. Against that, the transaction costs came to about INR260 crores. The balance, as I explained, was about the -- remediation cost itself was about roughly about INR228 crores, and the legal cost was INR137. So net of all these, you got about INR30 crores, INR40 crores gap, and you had sale of some small assets that is how it came to INR57 crores.

**Tarang Agrawal:** So the INR228 crores is on the cash flow, plus there is about INR219 crores on the exceptional items in the P&L. Is that the right way to look at it?

**V. S. Mani:** Both are the same, practically. Both are the same. There's nothing different. Both are the same, INR228 crores and broadly INR228 crores both. I mean, the exceptional item for remediation is INR220 crores. And for the quarter, if you look at it, the exceptional, including legal is INR228



crores, so numbers look very close, but they are different, okay. So the remediation cost for the year has been INR220 crores. The legal cost that is an exception item is INR137 crores.

**Tarang Agrawal:** Okay. I might need some clarification. I'll probably take it offline, sir. The second is the equity investment and loan investment in GHSA as on March 31, '23.

**V. S. Mani:** Yes. Can I just respond to that? Give me a couple of minutes. I'll give you the answer. Can we take the next question. I'll come back to this.

**Tarang Agrawal:** Sure.

**Moderator:** Thank you. The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

**Tushar Manudhane:** Sir, just on the remediation cost. If you could explain in terms of this INR220 crores or INR91 crores where -- or is it in more of infrastructure investment or -- if you could just elaborate on the quality of this remediation?

**V. S. Mani:** Yes, I'll elaborate on that. See, obviously, we had at both the sides, okay, both in India as well as in the U.S. When you look at it, assuming for a full year, we are running 12 people across the line. And then just the cost of maintaining the consultant itself will be almost INR12 million. So that is there.

So in a way, if you look at it in the U.S. itself, we spent about INR22 million during the year. Plus, we will obviously have other costs associated because we're using very big consultants, etcetera. So obviously, those will all add to it. Okay. And you had a portion in India also about INR46 crores or INR40 plus crores during the quarter, and we may have a little more in the coming quarter. But broadly, this is where it is. It's all read into the consultants and the people and the consultant and the people who come and work with us.

**Tushar Manudhane:** So effectively, this is more like only yearly phenomenon, or should we expect more like?

**Management:** Tushar, it's more like a one-off. We had to do the remediation of Monroe, which is pretty much done now. So in Q1 onwards, it will taper down. Likewise, we had remediation costs hitting our Goa facility and the Baddi facility this year. So I think in FY '24, you will see very little of remediation cost, right? It will come off significantly.

**Tushar Manudhane:** Understood, sir. How much would be the Ryaltris sale overall across the market in FY '23?

**Management:** I mean, we did about, I think, INR20 million, INR25 million last year. And this year, we see that number going to about INR40 million, INR45 million some thereabouts.

**Moderator:** Thank you. The next question is from the line of Amit Khetan: from Laburnum Capital. Please go ahead.

**Amit Khetan:** So my first question is on debt. In the Q3 call, Mani, you specifically mentioned that we should see a reduction in net debt next quarter, but that's actually increased by about INR300 crores. So what's driving this?

And just continuing on that, we have a plan to be net debt free by FY '26. Can you lay out a broad intermediate path in terms of where should we expect this number to be at the end of FY '24 and '25? And also, how much of this INR3,000 crores net debt reduction is contingent on either a partial or a full divestment of GLS or any further non-core brands still that we might undertake?

**V. S. Mani:**

So just one second. So there is answer. In terms of the net debt yes, I mean, if you look at it during this quarter, there has been an increase in the working capital cycle, okay? So that is probably the primary reason why it went up. And one of the big reasons has been in the movement in the debtors. Obviously, during the last few months, if you see there is a change in the geographic mix again. So obviously, there is more sale out of new and ROW and it's lesser from India. And that's the reason why the credit days have been higher in these quarters.

Besides that, obviously, there has been -- in debtor, there has been also a movement because of the currency also almost INR150 crores because as you can imagine, the rupee also moved up and because of the credit days that is why the reason I mean, basically debtors and to some extent inventory that is why the -- basically the debt has moved up.

In terms of our '26 guidance, we continue to hold that. And obviously, as you can see, our -- we have reached a certain critical mass, okay, we are almost at INR13,000 crores. We anticipate the growth further. During the current year, obviously, we had a few of the things like exceptional legal costs, in terms of exceptional remediation costs, etcetera, some of these have played out. And therefore, I would assume that when we look at it over the next 3 years, we believe that would be growth in the business. There should be decent cash flows to paid on most of these debts and at least at a net debt level, we should be a positive, that's what I say.

**Amit Khetan:**

But is there a broad range you can give of where we should expect this number to be at the end of, say, next year and after that?

**V. S. Mani:**

So year wise, it may not be straight to give. It will obviously be a cascading one. The first year may be a little lower. The second year will be higher as you can also see some of the products are doing better. Some of the markets are doing better. So the EU market is doing well. The Ryaltris is doing well. U.S. business is picking up. So obviously, there will be momentum that will take.

So I would assume that even with net debt what we have today of almost INR3,000 crores or whatever, we should see somewhere by which in the 3-year timeframe that we are speaking about, we should be able to take out most of it, okay. That's how I see. The momentum, I can't break it up year wise. But in a broad trajectory what I look at it, it looks like there is a good possibility with the business growth and not having some of the issues that we had in the current year of exceptional item, that should not be the area.

**Amit Khetan:**

Okay. And how much of this INR3,000 crores debt is contingent on divestment of GLS or other noncore brands that we may divest?

**Management:**

I think, clearly, I mean, the GLS divestment up to 7% at least that we are required by law, will be important to meet our net debt guidance. Obviously keep -- also keep in mind when we put

out this guidance, we had no visibility around the U.S. settlement that we did. So outside of the U.S. settlement, clearly, we still maintain that the business cash flows will continue to be strong to take us to net debt zero. But I think now with the U.S. settlement and the quantum of U.S. settlement, right, that we did for Zetia it's going to be critical to take some of the GLS divestment into that to achieve net debt zero.

**Amit Khetan:** Understood. Understood. And just following up on the working capital part, there's been about INR1,000 crores increase in receivables. So I'm not able to fully understand, given that branded formulations are typically a low working capital cycle business. So how is India and the rest of the world driving this increase?

**V. S. Mani:** So yes, you're right. It's not like this is a sudden change in the mix of the geographies in which we sell. Obviously, there is a onetime that always happens. So the cost of the mix and more sales in EU and ROW markets, the receivable days are definitely higher there, and that is why it's played out.

Also, there is a currently movement. So as you can know that during October, November, the rupee also moved up from 79 to 82. So there is about a INR150 crores. So I would assume, to answer you well, going forward, in the coming quarters, we should see it move down. We should definitely see move down and as India also -- so the bigger growth, which is there any way in the underlying business, it should go down. We're looking at it about 100 days.

So historically, we had a good working capital last year, it was a little bit challenging due to the change in the sales mix and also some supply chain issues that otherwise probably we see the trajectory going down.

**Amit Khetan:** Got it. And lastly, on the India business, the investor presentation mentioned that the decline is on account of price revisions and return of COVID phase as well as divested brand. Can you quantify the impact of each of these factors because my understanding was that COVID returns were already done last year, like I mean last quarter -- by the end of last quarter, we were through with the COVID return?

**Management:** I mean the numbers overall, look, I think India, the way to read it, right, is in-market growth is still very, very strong, right, for the entire franchise, right? And I think between the 3 plus, we also had some changes in terms of the business model where in oncology and some of these segments, right, oncology, institutions, some of these segments, we were able -- we took down some of our sales to maintain our margins. So I think it's a host of 2, 3 different aspects, right?

I mean it's hard to give you a breakup of each of these segments. But broadly, we think without this, right, we would be close to the 5% that we mentioned in the MD&A. We could add some amount to the changes on account of the business model. So India continues to be a strong business for us, right, and continues to do well quarter-on-quarter.

**Management:** So full year -- just to add, full year, Amit, if we just take out all these one-off impacts plus we had this COVID impact in the first quarter, actually the business has grown 12% plus on a reported basis. So base business growth remained strong there -- obviously with some quarterly impacts that we have had.

**Amit Khetan:** Got it. Got it. Just one more question. On Ichnos, we've spent -- we've stepped up our spending to \$24 million this quarter. How confident are we of keeping this contained to the \$60 million target that we have for FY '24? Is there any revision to the guidance here?

**V. S. Mani:** So see, there are 2, 3 things, okay? So obviously, during the current quarter, as we had said that we are rightsizing at some stage. So obviously, there were some severance costs, etcetera, which have come part of this current quarter. So going forward, we pretty much see it around the ballpark, what we spoke about, \$60 million plus for the year. It should be quarterly more or less somewhere close to that, about \$15 million, \$20 million a quarter.

**Management:** And if you see Ichnos' MDA, they've also alluded to the fact that the number of employees have gone down substantially, like on account of the downsizing that we did in our Luzerne facility. So all that will start become visible from Q1 onwards.

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

**Nitin Agarwal:** Sir, Mani, on the working capital, we have about 130 days as of FY '23 end. So we were about 100 in FY '22, mid-80s in FY '19/2021. So there has been like almost like a 45-, 50-day increase which has come through over the last 2 years. I mean next year, next 1.5 years, where do we see this number finally settling on a sustainable basis for us?

**V. S. Mani:** Yes. So Nitin, just to set the record, we were at about closer to 88 or 90 days during the 2 years back. So obviously, in the last 2 years, there have been 2, 3 changes, Nitin. And looking at it, one on the inventory side, obviously, there has been a lot that went in terms of the supply chain issues, etcetera. I think in the year '17 to '21, we were pretty efficient in the way we looked at inventory and things like that. But come last 2 years, we definitely realized that we need inventory across geographies to do a better job in terms of managing the business requirements, etcetera.

As far as the debtors go, obviously, it's suddenly gone up, and that is because as I explained in the earlier thing also the reason that because of the change in the sales geography mix, that has been there. And to some portion was also on the currency side because as you can see in the cash flow and the balance sheet, there is a difference of almost INR140 crores, INR150 crores. So going forward, Nitin, I definitely see this -- when you say then at least 15 days or so coming down in the debtor side, inventory, we'll see how it goes along.

So I think we'll come closer to -- I mean, obviously, there are some changes in the way the business model works. So because of that there will be some leeways in terms of the working capital going up and also probably people look more at safety of supply than -- more than the efficiency a little less. But debtor side, definitely it will come down by around 15 days. It will be closer to 100 in the next couple of quarters

**Nitin Agarwal:** So that should the 100 days of debtors should be the more sustainable number?

**V. S. Mani:** Yes, yes, more sustainable number, Nitin. That's a more sustainable number.

- Nitin Agarwal:** And inventory, I think, about 85-odd days is where you should probably see it holding.
- V. S. Mani:** Broadly yes, Nitin. I mean, I don't think we can -- we would like to go below that because most geographies we realize there is an opportunity, and we don't want to miss that.
- Nitin Agarwal:** That's helpful. Secondly, on the legal cost that you mentioned about INR137 crores, what is this up to us?
- V. S. Mani:** So this is basically we had these large trials going on, I mean, for Zetia. So obviously, we had a -- and as you know, we've settled -- I mean we almost settled it during the April month for which we have taken a write-down. But barring -- I mean, that was majorly for that we have to spend for them.
- Nitin Agarwal:** Okay. And so you also maybe spoke about earlier. But can you help me understand the INR650 crores to INR57 crores bid, which is there on the asset's sale on the brand sale, could you just repeat that please?
- V. S. Mani:** Sure. I can walk through that. So Nitin, so simple thing, again, the INR650 crores, we had a transaction cost of almost of INR260 crores, okay. So basically, these were all the -- whatever that was related to the banking, bankers, and something on inventory debtors, all that came down. So that is one part.
- And barring that, obviously, one line item, which is not linked to that, but which is obviously part of the exceptional item that is why it all comes together is this legal cost of INR137 crores and both quarters put together, the remediation cost being about INR220 crores, part mainly in the U.S. and some part in India as well.
- So Nitin, as you are aware, we are remediating across 3 sites. And as I explained to one of the earlier participants that obviously running so many consultants and also having people from them onboard, it cost quite a lot, okay.
- Nitin Agarwal:** So lastly on the transaction cost that you mentioned on the India brand, tail-end brand transaction, so is this a ballpark that you should assume a thumb rule like about 1/3 of the revaluations will go to as transaction cost in these assets, assuming these kinds of assets just happen?
- V. S. Mani:** So Nitin, transaction to transaction it will be different. I agree. It will not be the same. But I am not forcing immediate transaction right now or such a kind, okay. So therefore, I would not assume that for that. But yes, there is definitely some cost that goes into when you do this transaction you have banker fees, you do -- you pay people off who are going away. You also have some of these other costs. So all put together, this is where it is. So it could vary from something from each transaction.
- Nitin Agarwal:** Okay. And lastly on the India business, Glenn, with the divestments happening this year, so what is -- on an adjusted base which is there for this year, what kind of growth you can assume, given the fact that we'll have a slightly lower impact of -- in the middle of this, there's a whole impact of divestments coming through for next year?

**Brendan O'Grady:** This is Brendan. I think when we look at the business, as Glenn mentioned before, we're very happy where it's going. We're outgrowing the market by about 1.3x. I think as we head into this year, we have continued launches that we do. We have a lot of launches that we did last year that propelled the growth. And I think that this year we'll grow in the high single digits in the 8%, 9% range. So we're happy with where we're headed with the Indian business. It's doing very well, and we think we'll see continued growth.

**Moderator:** The next question is from the line of Vikash Sharda from NT Asset. Please go ahead.

**Vikash Sharda:** Just a question on the tax rate. What's the outlook for next year? And this year, when I look at the cash tax rate in the cash flow statement, it's even higher than the -- what is reported in the P&L. So how should one look at that?

**V. S. Mani:** So just to explain, Vikas, so if I look at the full year before this exceptional item that we had, the PBT was about INR1,634 crores. The cash tax or the current tax was at INR566 crores, okay. And the deferred tax, if we have not taken the INR280 crores, it will be about INR200-odd crores.

But what we have to also look at is that we paid GLS dividend, okay. I mean, GLS paid us a dividend. So on that we had to pay a tax. So being related party transaction, that contra goes out, but the tax is there. So for the current quarter, we got about INR216 crores. And earlier also, we got about INR100-odd crores. So about INR76 crores is on that.

Besides that the -- we -- on the brand also when we did the divestment, we had about almost INR65 crores to INR70 crores tax on that. So if I remove these exceptions, I would -- I get a current -- I mean, an ATR of about 38%, 39%. And if I were to remove out because even in this -- and we do all this, we also when you look at the cash tax, you will get about 31%, okay. So this is where it is. So going forward, next year also, you should look at 38%, 39% on a 31%. Broadly, that's where we should be, barring for any exceptional items.

**Vikash Sharda:** Got it. And when do you expect it to normalize to, let's say, 25% to 30% kind of ATR?

**V. S. Mani:** It should be less than 2 years, okay, because I still have the MAT credit in my books, almost till last year, it was almost 1,000. This year, it is down to 700. In the next 2 years, it should be off. And in the next 2 years' time, it should be off. And also, as we prune down our expenses in Ichnos because that is a big part where we don't get a set off in the jurisdiction in Switzerland. So as we prune down the expenses there, that should also add to it, okay. So I would assume broadly next year what I guided you, the year after that should be lower and the year after that should be back to where it used to be historically.

**Moderator:** Thank you. The next question is from the line of Tarang Agarwal from Old Bridge Capital. Please go ahead.

**Tarang Agrawal:** Sorry for harping on this again. The \$22 million remediation figure, right? My sense is that almost 15% or more of the gross block in the business there. I mean, if you could just illustrate the nature of this. I mean, have there been substantial changes in terms of our lines or something to that order? Or this is largely consultancy cost for the consultants?

- V. S. Mani:** So I don't think it's 15%. Anyway, that's a separate discussion. All I'm saying is the \$22 million is purely consultant costs, okay? Consultants there over the year plus and we had multiple consultants, and that's the way it is required. So these are the costs that have gone into it. And I explained, even if you have a dozen people, even to maintain them cost to INR12 million a year, okay? Because they are costly people and they travel everything put together, besides that obviously the consultancy that goes into it. There is not too much of infrastructure into this. It may be INR1 million, INR2 million, but the big cost is the consultants, okay?
- And this is there across the industry, okay? Most people, when they do these kind of remediation, all see these kinds of expenses.
- Tarang Agrawal:** I understand, sir. How -- what would be the gross block for that plot?
- V. S. Mani:** It will be closer to about INR250 million broadly.
- Tarang Agrawal:** Got it. And I just wanted a follow-up on the GHSA question.
- V. S. Mani:** Give me Give me 2 minutes. I'll give you the answer, yes.
- Moderator:** Thank you. The next question is from the line of Prakash Agarwal: from Axis Capital. Please go ahead.
- Prakash Agarwal:** India business, just a clarification here. So the total sales which are affected, or which have been sold, the assets which have been sold, what is the number again, please?
- Management:** About INR150 crores annualized across the 2 divestments.
- Prakash Agarwal:** This is across the assets, right?
- Management:** Yes, across both the divestments that we did as well as the dermatology asset.
- Prakash Agarwal:** Okay. And COVID, I see this is the last quarter, if at all, there is any base, right, I mean?
- Management:** That's correct.
- Prakash Agarwal:** Okay. And how the response in Sacubitril Valsartan normally in cardiac, we see a very good leading position. Somehow, I don't see your name in the top 5. So what is happening there?
- Management:** Yes, I missed that last part. Can you just repeat that, Prakash, the last part of your question?
- Prakash Agarwal:** Yes. Sacubitril Valsartan. So I think cardiac you are very strong. And normally, you are among the top 5, top 7 players. How has been the response? I don't see your name in the top 5?
- Management:** Yes. So as you mentioned, cardiology is a strong area for us. We're number 5 now in the cardiology segment. Sacu V we launched last year. So we're continuing to promote it, and we'll continue to see market acceptance of the product. So we think it will be a good product. It continues to do well. But overall, cardiology is strong for us, as is respiratory and dermatology.



- V. S. Mani:** Also, Prakash, keep in mind, in heart failure, we have a brand called Heptis, right, which is among the leaders there, okay. So I think we look at the whole franchise between Sacu V and Heptis right? We are clearly among the leaders in heart failure, right, in that space, in addition to, of course antihypertensives which is the whole Telma franchise which is massive.
- Prakash Agarwal:** No I am just trying to understand, have we stepped down a bit in terms of promotion overall?
- Management:** No. In fact, I think in our India business, we are really doing well in the 4, 5 segments that we operate, right, whether it's derm, respiratory, cardiovascular, these 3 are clearly outperforming the market. It's the diabetes where we are probably not doing as well, and that's purely because of the pressure on brands like your Taneliglipatin and your Remo right, among the -- compared to some of the new launches that have happened.
- Management:** Particularly in the diabetes segment, with the number of products we launched last year, we'll gain shares as we go through this year. They'll get accretive. So I think as we move to the second half of this year, the diabetes franchise will [inaudible 0:50:36].
- Prakash Agarwal:** Okay. And did I hear right, on a reported basis, we are looking at 8% to 10% kind of growth?
- Management:** Yes, that's correct.
- Prakash Agarwal:** After accounting for INR150 crores revenue not being there, right, so?
- Management:** Yes, that's correct.
- Prakash Agarwal:** Okay, lovely. And on the MR side, what is the count now?
- Management:** So it's about 4,800, Prakash.
- Prakash Agarwal:** Okay. And this is after we would have led some MRs go with the brand set, right? So this is the revised number.
- Management:** Yes, yes.
- Prakash Agarwal:** Okay. And the other question is on the gross margin side. Normally, Q4 we have a 200-basis point normally higher gross margins. So is this getting normalized, there's no Q4 phenomena seasonality? Or anything to read into it?
- V. S. Mani:** Yes, partly because India sales were a little lower. The margins are better than that. Obviously, that had its own impact there on the mix, it is the mix. But on a full year, we did well considering that the first half was really tough in terms of the input costs, etcetera.
- Prakash Agarwal:** Okay. And I missed your comment in the U.S. also. So you did okay I mean, any did not see any large products. So is it the seasonality which is playing out or you've got onetime contracts or what is playing out in the U.S.? And what is the outlook there?
- Management:** No. So I think if you look at the U.S., we saw a pretty good improvement last year, quarter-over-quarter growth. And it's not really any 1 specific thing. It's really a combination of a few things.

First of all, our service levels are improving, which is leading to volume growth. I think we're doing a good job on new product launch execution. We have probably 12 to 15 products this year that we will launch. We've been able to take advantage of some market disruption, which has a positive pricing impact.

Some of the existing pricing erosion has eased a little bit. and just generally improved execution by the team. So if we can take all of those things into account, that's leading to the stabilization and the growth in the U.S. And we expect that to continue into this year. I think we'll see growth in 4% to 6% range. I think we put 5 in the MDA so mid-single digits.

**Prakash Agarwal:** One more, if I may. On the plants, you mentioned the substantial expenses on consultation, etcetera. So when are we -- what is the status of all the 3 plants? And when do we expect, I understand, remediation is over. So, have you invited FDA for inspection across 3 facilities and what is the expense that you're looking for this year?

**Management:** So I think if I go through each of them, so Monroe now we are -- as we mentioned, we're pretty much done with the remediation, right? We are -- now we're going to start taking batches in Q2. And I'm guessing in parallel FDA should show up around anytime Q2 and beyond, right? So that's all -- so hopefully, in second half of this year, we should have commercial sales coming out of Monroe. The Goa and Baddi facilities, I think the bulk of the remediation work will get over in Q1. So this quarter will be pretty much done with most of the remediation work. And I think post that, I think the agency -- we will invite the agency.

**Prakash Agarwal:** Okay. So first half, you will kind of continue to see the consultation expenses?

**Management:** Not for Monroe, but to a small extent in some of the India sites.

**Prakash Agarwal:** Okay. Great. And one more, if I may. On the balance sheet side, there's other current financial liabilities, if you could explain what is that related to.

**V. S. Mani:** Yes, yes. So Prakash, this is basically the INR800 crores provision that we have made that has to -- I mean, obviously, this is just a provision, next year we'll pay all that. So that is why it is there.

**Prakash Agarwal:** No. What is sitting there, sir?

**V. S. Mani:** That is INR800 crores, is that liability now for the Zetia that we have provided no, exceptional item.

**Prakash Agarwal:** Yes. So last year also, there was a number of INR400 crores, so...

**V. S. Mani:** No, no, no. This is INR800 crores this year. So I mean, you're asking what all are sitting there?

**Prakash Agarwal:** Yes.

**V. S. Mani:** No, basically, this is the major 1 that has got added this year. I did answer the other one also. We have accrued expenses there. You will have interest accrual but not due. You will have

unclaimed dividend there. You will have some employee due there. You will have country caters for capital goods. So these are the things that come in a normal balance sheet.

**Prakash Agarwal:** Accrued expenses related to what, sir?

**V. S. Mani:** Normally, your company has expenses, which you will provide for at the end of the year. Obviously, you may not have received you may not have recurred all the bills, etcetera, you provide for it at the end of the year. So that will be a provision. So whenever there are provisions, they will find themselves into the liability because you have not paid for them. Once you pay for them, the liability disappears.

**Prakash Agarwal:** And what is the amount, sir?

**V. S. Mani:** So the total accrued expenses would be roughly about INR400 crores across all geographies.

**Moderator:** The next question is from the line of Shyam Srinivasan: from Goldman Sachs.

**Shyam Srinivasan:** Just 1 on the Europe business. You've seen a good Q-o-Q growth. I picked up the opening remarks, but just wanted some additional detail around this. And what's the kind of sustainable run rate for Europe.

**Management:** So thanks for the question. If you look at the European business last year, we grew over 20%. I think that we'll continue to see that kind of growth this year in Europe. And we're doing well across both the generic and the specialty segments. The respiratory business is particularly strong for us in Europe across all markets.

We have launched Ryaltris in numerous markets, either directly ourselves or through our partner, Menarini, which also does extremely well. We've had some opportunities to take advantage of some pricing disruption in some markets. And we're expanding into Italy, I think, as you know. So all of those things are driving the growth in Europe. And as I said, we expect that to continue this year in probably the 20% range. So very strong results coming from Europe, good growth market for us, which will add to the overall growth of the formulations business.

**Shyam Srinivasan:** Like a 20% growth for full year Europe? Sorry, I missed that.

**Management:** In that range, in that range.

**Shyam Srinivasan:** Got it. And just the second question is on...

**Management:** Also Shyam, just 1 more point to add to what Brendan is saying, Europe, we had 4 respiratory filings in Q4, right, which is which will be really big for us in F '25 and beyond. So I think there is a great runway for us that we are seeing in the European market.

**Shyam Srinivasan:** Got it. Just a second question on Ryaltris. I think you called out like INR20 million, INR25 million of annual sales from the first year '23. You guided that to double let's assume. So what - - so Glenn and team, what are some of the lessons we have learned because this has been our first large product and its global -- you're filing it in many places. So anything that we have

picked up, understood is that there's some challenges. So just your learnings from Ryaltris so far?

**Management:**

I think Ryaltris, obviously, the biggest challenge has been the regulatory side of things, right, understanding the regulatory requirements in different markets, actually putting together some kind of a launch runway, reference pricing in different markets and how do you make sure you launch the products in the right market in the right time.

So I think these are some of the big learnings for us on Ryaltris. However, the product continues to do exceedingly well overall. In fact, it's beating all our estimates, right, in all the markets that we are selling it in. And we still haven't -- even this INR40 million, INR35 million that we're guiding to doesn't include markets like China, markets like Brazil, many of the big markets, right, are not even -- we've not even launched in these markets, right? And in the U.S., we are just -- launch is still going.

**Shyam Srinivasan:**

Just going?

**Management:**

Exactly. So it's very early days. Even this year, it will be very early days for Ryaltris. And wherever we've launched, the product seems to be doing exceedingly well.

**Moderator:**

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

**Nitin Agarwal:**

Mani, on the interest cost. How should we look at interest costs from here on, given the fact we are in [inaudible 1:00:23] gross is up, and we are in rising interest rate situation. So what is it that we should work with this number?

**V. S. Mani:**

So broadly, in the last quarter, if you look at Nitin, we looked at about INR109 crores. So plus/minus 5%, 7% is what we will look at. So I think broadly, that is where we look at next year end. And as we obviously bring down our loan component, it will definitely come down.

**Nitin Agarwal:**

And almost all of our INR4,000-odd crores debt which is there in U.S.?

**V. S. Mani:**

Yes, broadly, barring some INR300-odd crores, which is short term in nature, rest of it is all dollar-denominated, yes.

**Nitin Agarwal:**

So our expected cost comes to about 10% on the gross debt.

**V. S. Mani:**

Yes, that's the reason why. Because of now today, LIBOR has gone up and a few are in fixed rates. Some of them are in -- most of them are in floating. So obviously, you have a higher cost outgrow now.

**Nitin Agarwal:**

And again on the U.S., how many products do we see launching this year? What is happening on the remediation of the various sites?

**Brendan O'Grady:**

Yes. So I think that we'll probably launch somewhere in the range of 12 to 15 products this year in the U.S., could be slightly more, depending upon approvals and so forth. But probably in the 12 to 15 range for new product launches in the U.S.

**Management:**

And also, I think to add to what Brendan is saying, there are -- we still have Monroe will recommercialize right, hopefully, in the second half of this year. We also have some site transfers that we're doing for some of the Baddi products which should kick in the second half. So I think we have a reasonable runway to the U.S. pipeline for the year.

**Moderator:**

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. We will just read the disclaimer before we end the call. The document and the results discussion has been prepared by Glenmark Pharmaceuticals Limited. The information, statements and analysis made in the documents describing the company 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.

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With this, we can end today's call. We thank you for joining us today.

**Moderator:**

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.