“Glenmark Pharmaceuticals Limited Q2 FY24 Earnings Conference Call”

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Moderator: Good morning, ladies and gentlemen. Welcome to the Q2 FY24 Earnings Conference Call of Glenmark Pharmaceuticals Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Utkarsh Gandhi: Good morning, everyone. Welcome to the Q2 FY24 Results Conference Call of Glenmark Pharmaceuticals Limited.

We will just review the overall performance of the Company for the 2nd Quarter of FY24. For the 2nd Quarter of FY24, Glenmark's consolidated revenue from operations was at Rs.35,879 million as against Rs.33,752 million in the corresponding quarter last year, recording and overall year-on-year growth of 6.3%.

For the six months ended September 30th, 2023, Glenmark's consolidated revenue was Rs.69,895 million as against Rs.61,525 million, recording an increase of 13.6%.

Some Key Updates on the Formulations Business starting with India:

Sales from the formulations business in India in the 2nd Quarter of FY24 were at Rs.11,217 million as against Rs.10,916 million in the corresponding quarter last year, recording a year-on-year growth of 2.8%. The lower growth was mainly on account of the impact of the divestment of few non-core brands and some impact of the NLEM price revisions as well as an overall slowdown in the acute respiratory and dermatology therapy areas in the first six months of FY24. The India business contribution was at 31.3% in the 2nd Quarter of FY24 compared to 32.3% last year.

The Indian pharma market witnessed a slowdown in the acute segment, particularly on the respiratory side. Volume growth in the key therapy areas such as respiratory and dermatology were hence impacted in the first six months.

Accordingly, as per IQVIA data for the 2nd Quarter, Glenmark India's formulations business recorded a growth of 5.4% compared to overall market growth of about 6.9%. In the 2nd Quarter, Glenmark's growth remains strong in the cardiac segment, but was impacted in other therapy areas.

Glenmark India business continue to be ranked 14th, with the market share of 2.11% as per IQVIA MAT September data. The Company continues to have nine brands in the IPM top-300. And in terms of key therapeutic areas. Glenmark is ranked second in both dermatology and respiratory and 5th in cardiac segment and 17 in the diabetes segment as per IQVIA MAT September data.

Glenmark has improved its market share marginally in spite of the challenging environment in Q2. And if you see the IQVIA MAT September data, we have improved our market share in most of the key therapy areas.

In August 2023, Glenmark also announced that it had joined with OMRON Healthcare India, the Indian arm of the Japanese global leader in home blood pressure monitoring and solutions for cardiovascular disease to raise awareness on measuring blood pressure at home from the age of 18. This collaboration is named as “Take Charge @18 Initiative” and comprises of generating effective communication to enhance awareness about blood pressure monitoring in India. The Company continues to have a healthy pipeline of differentiated products, which it plans to launch in the market going forward.

In terms of the Consumer Care business in India, primary sales for the GCC business in the 2nd Quarter were Rs.634 million with a growth of 15%. Our flagship brand, Candid Powder delivered revenue growth of 10% in the 2nd Quarter. LA Shield portfolio delivered 23% growth and the Scalp portfolio recorded about 29% growth. Scalp also recorded 41% growth in new 2 brand orders and it is also amongst the leading anti-dandruff shampoos in large e-commerce channels such as Amazon, and recently Candid Dusting Powder was also recognized with The Economic Times Iconic Brand Awards in 2023.

The North America business registered a revenue of Rs.7,392 million which is about US$89.4 million for the 2nd Quarter as against revenue of Rs.7,533 million, which is about US$95 million for the 2nd Quarter of FY23. This translates into a YoY decline of about 1.9%. For the 2nd Quarter, the North America business contribution was about at about 20.6% compared to 22% last year.

In the 2nd Quarter, Glenmark launched the previously approved Norethindrone Acetate and Ethinyl Estradiol Capsule and Ferrous Fumarate Capsule, the generic for Taytulla. Glenmark received approval and launched Saxagliptin Tablets and Tacrolimus Ointment 0.03%. Glenmark also launched Varenicline Tablets through a partnership. These launches are expected to contribute to the overall sales growth for the region starting the 3rd Quarter of FY24. Glenmark filed two ANDAs during the 2nd Quarter and the Company plans to file a total of 10 to 12 ANDAs for FY24.

Gledmark's marketing portfolio through September 30th consists of 185 generic products authorized for distribution in the US market, and the Company currently has 51 applications

pending at various stages of the approval process with the USFDA, of which 21 are Para-IV applications.

In August 2023, Glenmark Pharmaceuticals, Inc. announced that it had entered into an agreement with the US Department of Justice Antitrust Division to resolve all of its court proceedings with the DJO involving historical pricing practices by former employees relating to the generic drug Pravastatin between 2013 and 2015. The Company has entered into a three-year deferred prosecution agreement and the Company adheres to the terms of the agreement, including payment of $30 million payable in six installments, the DOJ will dismiss the pending superseding indictment.

Glenmark's Europe operations revenue for the 2nd Quarter of FY24 was at Rs.5,997 million as against Rs.3,785 million, recording a year-on-year growth of 58.4%. Europe business contributes 16.7% to the total revenues as of Q2 FY24 compared to about 11% last year.

Glenmark European operations continued the strong trajectory given by robust uptick in the branded business and a sustained growth in the generics business as well. The western European business clocked strong 30% growth for Q2, mainly led by the key markets, such as UK, which recorded strong growth on the back of generic business as well as uptake from the respiratory pipeline.

The Czech and Poland markets in the central and eastern European region also recorded strong double-digit sales growth during the quarter. Glenmark continues to outperform the Czech market in terms of growth as per IQVIA MAT September data.

The respiratory portfolio launched by Glenmark in Europe continues to do well. Some of the key brands such as RYALTRIS and Salmex continue to sustain their market share both in terms of value as well as volume particularly across the CE market.

During the 2nd Quarter, Glenmark also launched RYALTRIS in Slovakia, which is another key CE market for us. And Menarini, Glenmark's partner for RYALTRIS in the European market recorded strong growth across multiple markets where it has launched the product.

In Q2, a subsidiary of Glenmark, Ichnos announced the signing and distribution agreements for Winlevi which is Clascoterone Cream, 1% in Europe and South Africa. Under the terms Glenmark will receive the exclusive right to commercialize the Winlevi in 15 EU markets as well as South Africa and the UK. CASSIOPEIA, which is a subsidiary of Ichnos shall be responsible for the marketing authorization submission at the EMA and Glenmark will undertake the registration for the product in the UK and South Africa.

ROW Region for the 2nd Quarter of FY24. Revenue from the ROW region was at Rs.7,324 million as against Rs.6,154 million for the corresponding quarter last year, recording a growth

of 19%. For the 2nd Quarter, the ROW business contribution was 20.4% compared to 18% last year. The Company continues to witness strong growth in the base business across the sub-regions of the ROW market.

In Russia, as per IQVIA Q2 and MAT data, Glenmark business recorded 16% and 17% growth in value respectively. This has been driven by key brands, including Ascorbic, Montaseri, and RYALTRIS. RYALTRIS has sustained its momentum and continues to gain market share even during the 2nd Quarter.

In terms of key therapeutic areas, Glenmark recorded 21% of growth in value in the dermatology segment versus the overall dermatology market growth of about 9.6% as per MAT September data. And amongst the dermatology companies, Glenmark is now ranked 8th as per the MAT September data. And amongst the companies present in the Expectorant market, Glenmark maintains a strong position, ranking second. Key recent launches in Russia include Ascoril LS and Femistar, which is the Demelan.

The Asia region recorded about 10% growth in secondary sales, driven by markets like Philippines, Sri Lanka and Vietnam. Dermatology and respiratory continue to be the key therapeutic areas contributing significantly to the overall sales in Asia. RYALTRIS which was launched by Glenmark in Malaysia in the first quarter of FY24 has seen a strong pickup in the market. RYALTRIS also in Australia launched by a partner continues to hold about 18% share across the top allergic Rhinitis product. And in South Korea, where the product was launched recently by our partner, Yuan Corporation, RYALTRIS is now ranked first in the combination prescription market and fourth in the overall prescription market for Inhale Nasal Sprays. So that it has seen a strong start in South Korea as well.

The Middle East Africa region recorded about 15% growth in sales during the 2nd Quarter of FY24. Glenmark continues to be ranked third in the overall MEA market and has recorded 25% growth in secondary sales. Further, the Company continue to achieve strong secondary sales growth across other key markets in the region like South Africa, UAE and other African markets.

Respiratory and dermatology again are the key therapeutic areas in this region and RYALTRIS which was launched in Saudi Arabia in the first quarter of FY24 and product has received good response in the market. The product will be launched in other Middle East Africa markets in Q3 and Q4 as well.

Latin America achieved double-digit growth in 2nd Quarter of FY24. The respiratory portfolio remains the key contributor for Glenmark in this region. Glenmark Brazil achieved about 20% growth in the covered market as per IQVIA YTD August 2023 data, and it continues to maintain its rank amongst the top companies in the covered market of chronic respiratory segment in Brazil. And secondary sales growth has remained strong in Mexico as well and Glenmark is

growing at about 18% value in terms of the covered market as per IQVIA YTD August 2023 data.

In terms of our respiratory pipeline”

Some key business updates for the global respiratory business. Starting with RYALTRIS, as of the end of 2nd Quarter of FY24, marketing applications for RYALTRIS have been submitted in more than 70 markets. The product has been commercialized in 29 markets, including all the major markets that we alluded to earlier. Glenmark's partner in the EU, Menarini intends to launch the product in other additional EU markets in FY24. Hikma, Glenmark's commercial partner in the US continue to see strong prescriptions in the 2nd Quarter and Glenmark's partner in Mainland China, Grand Pharmaceuticals has successfully completed the phase-III clinical trial with the product meeting the primary endpoint, and the NDA submission to the National Medicines Product Administration is targeted for December 2020. We've provided some key market shares for RYALTRIS across the key geographies.

In terms of other key respiratory products:

The clinical trial is ongoing for the generic Flovent pMDI. We expect to file it in FY24, and we plan to file one more respiratory pMDI in the US in FY25 and continue the momentum beyond that.

A Quick Update on our Innovative R&D pipeline:

GRC 54276, which is the HPK1 inhibitor, this is a novel, orally active HPK1 inhibitor that demonstrates standalone efficacy and enhances current immunotherapy efficacy. It is being evaluated in a First in Human Phase 1 study. Part 1a of the monotherapy phase is ongoing in India since July 2022. Additional subjects are being recruited in the 50 mg monotherapy backfill cohort. Phase 1, Part 1b combination study with pembrolizumab and atezolimumab was initiated in India and the US in the first quarter of FY24 and 2nd Quarter of FY24 respectively. And as of the 2nd Quarter, two dose cohorts have been completed and the study is ongoing.

GRC 39815 is the Company's respiratory pipeline being developed as an inhaled therapy for mild-to-moderate COPD. It is currently under Phase 1 development in the US.

External sales for GLS in the 2nd Quarter were at Rs.3,930 million as against Rs.3,744 million in Q2 last year, recording a YoY growth of 5%.

In September 2023, Glenmark announced that it had entered into a definitive agreement with Nirma Limited to diverse 75% stake in its subsidiary Glenmark Life Sciences at a price of Rs.615 per share for an aggregate consideration of Rs.56,515 million, subject to closing adjustment. Glenmark would continue to own 7.84% in GLS after the divestment. The transaction is subject

to some customary closing conditions precedent, including receipt of regulatory and shareholder approvals. For further updates, you can log on to the GLS website.

A quick update on Ichnos:

Glenmark invested Rs.1,613 million, which is about 19.6 million in Ichnos in the 2nd Quarter of FY24 compared to about 22 million in the corresponding quarter last year. For the first six months, Glenmark invested Rs.3,030 million, which is about US$36.8 million compared to about US$43 million which was invested in the previous year.

Some Additional Notes to the Results:

FOREX loss for the quarter was about Rs.43 crores, which was recorded in other expenses. If you exclude this, the EBITDA margin for the consolidated business was at 18.8% in the 2nd Quarter. Exceptional item in the quarter and for the half year respectively comprises of the US DOJ to the settlement and remediation cost for the manufacturing facilities in India and the US.

“Some Key Figures for the Consolidated Business”:

R&D expenditure in the 2nd Quarter was around Rs.324 crores, which is 9% of the revenue from operations and the Ichnos investment as we noted earlier was 19.6 million for the 2nd Quarter. Consolidated total asset addition in the quarter was Rs.249.7 crores, of which tangible assets was about Rs.162.8 crores and intangible assets was about Rs.86.9 crores. Consolidated gross debt for the period ended September 30th was at Rs.4,921 crores as against Rs.4,348 crores as of March 31st, 2023. Net debt for the period ended September 30th was at Rs.3,355 crores as against Rs.2,905 crores as of March 31st, 2023. The increase in net debt was mainly on account of the settlement payment for the generics litigation and payment related to the settlement agreement with the US DOJ.

In terms of working capital:

At the end of September, inventory was at Rs.3,319 crores as against Rs.2,978 crores at the end of March. Receivables were at Rs.3,679 crores as against Rs.4,099 crores at the end of March and payables were at Rs.2,289 crores as against Rs.2392 crores at the end of March.

Given the changes in the organization, mainly the GLS divestment, we would just like to provide some key comments on how we see the way forward for Glenmark before we start the Q&A. So, the first important point is that we are expecting the GLS transaction will get recognized in Q3 FY24 after receiving the required regulatory and other approvals. We are considering this year as a transition year on account of the GLS divestment, which has obviously been a big event.

In FY25, the GPL core EBITDA margins will go up by approximately 2% due to the lower R&D spend, primarily on account of the lower innovative R&D expenditure. Additionally, we are expecting further margin expansion in FY25 to come from RYALTRIS and operating leverage kicking in across markets like Europe and Latin America. And we expect significant PAT margin growth in FY25 mainly on account of the lower interest, depreciation and tax expenses once we consume it GLS transaction. So, with that we can open the floor up for Q&A.

I would just like to introduce the Management on the call today; we have Mr. Glenn Saldanha -- Chairman and Managing Director, Glenmark Pharmaceuticals, Mr. V.S. Mani, Executive Director and Global CFO, Glenmark Pharmaceuticals.

Moderator: Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is on the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: So, the first is on the bookkeeping part. Rs.325 crores is an exceptional loss. Even if I exclude 30 million from that settlement payment, still the remaining amount is considerable. Is it largely to do with remediation measures?

V.S. Mani: So obviously, one is the remediation is only about Rs.26 crores in this quarter; 20 crores in India and about 6 crores in the US. Earlier also, we all had sort of guided that as we go along, these costs are coming down and they've come down in this quarter. So, the balance is basically about the DOJ settlement of 30-plus million and the allied legal cost that we provide with that which will be part of that. So that is the reason why it is about Rs.325 crores.

Tushar Manudhane: Derma is a therapy in India has witnessed good slowdown. So, any particular reasons to highlight here?

V.S. Mani: In the 2nd Quarter, right, we saw slowdown in two of our core therapies, right. There was a slowdown in the acute business in the 2nd Quarter which impacted our respiratory sales and in derm there has been a slight slowdown in the 2nd Quarter. However, we are seeing a strong recovery in the 3rd Quarter; so, in the month of October, we grew 19%, right as per IMS. So, India business, we think from here on, right, will come back strongly. And I think respiratory has been a big dampener in the 2nd Quarter which is coming back strongly in the 3rd Quarter. So, I think overall, we continue to believe that India will do well this year and going forward.

Tushar Manudhane: Thirdly, the US sales have been gradually slipping from 100 million now. So, when do we see this segment reviving?

V.S. Mani: So, US, 2nd Quarter was a tough quarter for us because we had some supply disruptions because of some of the remediation work that is ongoing in the 2nd Quarter. However, in the 3rd Quarter, we've resolved all that and we are back with full supply in the 3rd Quarter. Additionally, I think

in the 3rd Quarter we have almost four or five good launches. I think the Varenicline partnership that we did with Mankind, the product we in-license, we've got some good market share there, and I think we have almost 3 injectables getting launched in this quarter through some partnerships. So, that coupled with some of our in-house launches. So, I think from the 3rd Quarter you should see US sales come back to the original levels, right? So, 2nd Quarter we think was an aberration.

Tushar Manudhane: This upfront payment of $5 million to Cassiopea, this would happen in this 3rd Quarter or how to think about it?

Glenn Saldanha: Yes, it will happen in the 3rd Quarter.

V.S. Mani: But I think 3rd Quarter against, we also have an income coming from Astria, right, almost $15 million we've already received from Astria in Ichnos, right? So, there is some income also on the innovation side.

Moderator: The next question is from the line of Damayanti Kerai from HSBC. Please go ahead.

Damayanti Kerai: I just need some more clarity on margins. So obviously, you mentioned '24 will be a transition year and then for FY25 you mentioned 200 basis points better margins on the core business part. But for the quarter, say if I look at the numbers, 14.4%, I'm excluding the FOREX part, so that is anyway I think looking much lower than what we had seen previously. So, can you specify whether the slower performance in India and US contributed majorly towards it and maybe in 3rd Quarter and fourth quarter as India and US comes back, we'll see better margins?

V.S. Mani: First and foremost, obviously, if you factor in the currency loss, you will come to almost 15.7%. What we are saying is that this being a transition year, we've already guided in the past also, we look at about a 2% improvement because of reduction in the R&D cost… in the initial commentary we gave that we are also looking at improvement in the margin expansion from RYALTRIS as well as from across other geographies like Europe and LATAM. So, therefore this should significantly take our margins in terms of whatever been guiding in the past, would be closer to 19%, okay, that's what we are working towards. Even in the second half, I do agree with your point that as India and the US kicks in better, so obviously you should see it improve. So, I think this is the trajectory we're looking at.

Damayanti Kerai: So, you maintain that 19% margin trajectory for your business?

V.S. Mani: As we've already alluded, that is a transition here, but over the years, we're trying to improve that, yes.

Damayanti Kerai: My second question is in the US business. So, you mentioned some supply challenges which you have resolved now. But can you comment a bit on the pricing part also because I guess what

others, or your peers have commented that prices are more or less stable. So, how was it for your portfolio and how do you see it for next say for the coming quarters?

V.S. Mani: So, the pricing environment seems to be stabilizing. However, we are still seeing standard price erosion of roughly mid-single digit, around 5%, 5%-odd across the portfolio.

Damayanti Kerai: Can you also share update on Monroe regulation part because if I remember correctly, you mentioned somewhere in the second half of the fiscal we should be seeing some notable update there?

V.S. Mani: So, in Monroe, we are pretty much done with most of the remediation. We are taking engineering batches this month and followed by validation batches and commercial batches. So, the remediation is pretty much done. Obviously, we would have a dialogue with the FDA before resuming commercial sales either by way of a meeting and we are also expecting an inspection at some point.

Damayanti Kerai: Any timeline where do you expect like FDA can likely reinspect the facility?

Glenn Saldanha: It's extremely hard to predict that, but we've started the work where we've started taking batches, first with engineering batches followed by validations and then commercial batches.

Damayanti Kerai: In terms of cost also, you mentioned 26 crores was the remediation cost, that was specifically for the US plant or -?

V.S. Mani: No, no, India was about 20 crores and US was about 6 crores, US is much lower.

Glenn Saldanha: I think remediation we are mostly done with everything at this point in terms of expenses and I don't think going forward we would have an exceptional item as a remediation going forward.

Moderator: The next question is from the line of Vikas Sarda from NT Asset Management. Please go ahead.

Vikas Sarda: Two questions. One is that the Ichnos spend in the first half has been higher than full year run rate guided of $60 million. So, how should one look at that in the second half? And secondly, this 200-basis points margin expansion next year is only from R&D or you're building in the RYALTRIS and the operating leverage in that?

V.S. Mani: So, good morning, Vikas. Thanks for the question. So, as you can see in the current year in the first half, we spent about 36 million, which last year was almost 43 million. So, in the 36 million also we have in the first half of the year normally we pay out bonuses and there are some severance costs as we are going about restructuring the operations out there. So, we still are pretty much guiding close to 60 plus is what we had said, will be there about. So, we're not expecting that to substantially go give and take a few million here or there. So, as far as Ichnos,

that's where we are. And as you know, this year in the 3rd Quarter, we also received 15 million on licensing. So those are other incomes that will keep coming in. And as far as the margin expansion is coming, 2% is basically from basically from Ichnos, that is innovation and the balance is when we say that we'll take a trajectory from where we are today, almost a 3% plus, 2% is here plus a 1% will come from all the margin expansion that we'll get from increasing our businesses, operating leverage in Europe, LATAM. So those are the things. What we have not specifically even called out here, is that as Monroe goes live, today we have a 25 million operating cost which is also baked into our numbers. As we go along even that will kick in next year. So, I think all in all that's how we are trying to run the run rate closer to where we are.

Vikas Sarda: How much of the Zetia payment has already been made and how much is pending? And also, in the balance sheet, there's one item called other current asset which has gone up in six months by almost 400 crores. So, what is that for?

V.S. Mani: One is obviously we have paid more than 35 million plus for the Zetia and we also paid about one installment of the DOJ that came in. So, these are all that went in. As far as the other current asset is concerned, receivable going up almost 190 crores, that is largely on account of… as you know, when we make these payments outside India, we have to pay GST on that, which we can take credit against that, but as of now, that money is gone. So, that is one money that has gone. Also, the other thing is that we have in the other current assets PLI which we accrued about 80 plus crores in the current year which we are yet to get money from the government. I think they will plan somewhere in the second half to give us money. Also, apart from that, we also had some increase in our prepaid expense of about 60-70 crores, some advance payment to supplier. So that is why it looks like 400 crores jump. But I think as the second half goes by, at least the input tax, some of those credits we can take, and it will come off. So, I think overall with the improvement in the business in the second half also, we should see cash coming back in the business.

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

Nitin Agarwal: Can you help us understand the guidance for FY25 a little better in terms of what EBITDA levels we are looking at?

V.S. Mani: Currently, obviously this quarter we're a little less than 16%, but we gave a glide path how we'll go there. We said 2% will come basically from innovation R&D spend reduction and 1% from the expansion in the various markets, also, obviously as Monroe goes live, we'll also get some benefit. I have not put that in this. So overall, based on this, we are looking at a trajectory close to 19%.

Nitin Agarwal: 19% for FY25?

V.S. Mani: Yes, 19% for FY25. This is a transition year, Nitin. I think we'll have to check it as the year comes.

Nitin Agarwal: Secondly, on the remediation costs, what kind of positive impact do we see on account of that next year?

V.S. Mani: You're talking of remediation costs further in the next year, is that what you're saying?

Nitin Agarwal: Because you are saying it's going to be almost zero this year from here on, so, how much will be spent for this year?

V.S. Mani: So, this year so far we have spent about 77 crores. So, that will not be there next year. But in any case, I'm calling it out separately.

Nitin Agarwal: That is an additional lever which is probably there for us?

V.S. Mani: Yes, there are additional levers in terms of profit.

Nitin Agarwal: Glenn, on the India business now, how are you looking at India from again a two, three-year perspective here on?

Glenn Saldanha: Our view, Nitin is our India business continues to remain very strong, right. I think between the RX business mainly driven by the respiratory, cardiac is doing exceedingly well for us, derm and then diabetes, right. I mean, we are pretty much leaders in three out of the four, right. We're among the top two, three players in three out of the four segments. So, India business RX continues to be strong. OTC, we are doing exceedingly well. So that's another growth lever going forward, which will contribute significantly to our India business. And then we have some reasonable institution business, that's doing well in terms of hospitals and institutions. So that will come up as a new growth lever. So, I think all in all, India will do well for us, I mean on a sustained basis, we feel very comfortable with like a 12 to 15% growth coming out of India, right, for the next three years.

Nitin Agarwal: And likewise, on the US, Q2 you mentioned is a soft year, things will bounce back from Q3, but with Monroe and all probably beginning to come back from next year, how should one think about US, there has been some improvement in the outlook which happened in general for other players on the US side?

Glenn Saldanha: So, I think the US business next year will be mainly driven by bringing back Monroe, some of the new launches that we have next year, right. And I think our respiratory play will start hopefully from next year. We're hoping to get our first approval in the respiratory space and then we'll keep getting approvals from there every year. So, I think a lot of our US build out is primarily driven by respiratory and some complex products that we are working on. So, it's hard

to predict specifically in terms of numbers, but I mean, we have a good portfolio of products that we are filing, right, and assuming they all get approved, and things are on track, right, the US business should look strong right in the years to come.

Nitin Agarwal: On that, Glenn, when are you looking to file the Fluticasone in India?

Glenn Saldanha: Fluticasone MDI, right, between Q4 and Q1, right, we will file the fluticasone MDI.

Nitin Agarwal: There's been very strong growth in both ROW and Europe now. Is it largely RYALTRIS driven or there are more things which are sort of driving it?

Glenn Saldanha: I think Europe is more broad-based beyond RYALTRIS. RYALTRIS is a big contributor, but we also have four or five respiratory products that we are selling there, are doing exceedingly well. And I think going forward we still believe that Europe will continue to outperform, right, I mean 15%, 20% is the minimum growth trajectory that we are seeing for our European business. ROW also is doing extremely well. We got a big approval in in Brazil of Salmeterol Fluticasone MDI, it's the first generic approval. The rest of ROW, which is Asia, Latin America, Middle East, Africa, Russia, CE, all these geographies are doing well. Russia also, we got Ascoril LS a big approval which will be a big driver. In most of these geographies, they continue to do exceedingly well. So, I think these two geographies will be significant growth drivers for us in the years to come… and of course, India continues to do well. So, the US is a big unknown. We are doing the right things in terms of portfolio but given the uncertainties we really struggle to put any number for the US business.

Nitin Agarwal: The scale up which you're talking about in Europe and ROW, what kind of margin operating leverage to be see playing out in this business? And at some level, are these businesses below corporate level margins or have they now passed it?

Glenn Saldanha: So, Europe obviously was below corporate level till last year, right. I think this year it has come up closer to corporate level, and I think further margin expansion is coming out of Europe, right as we go forward. ROW, most geographies were almost at corporate level, Latin America was way down, right. I think that is adding almost 3%, 4% every year from here on in terms of their EBITDA margin. So, that itself is giving you some significant leverage coming through, right, as we go forward.

Moderator: The next question is from the line of Krishnendu Saha from Quantum AMC. Please go ahead.

Krishnendu Saha: Coupled with the margin question, just trying to understand Glenmark Life Sciences revenue, which is right now currently in the consol account will not be there from FY25 onwards. So just trying to understand what kind of contribution they do at the current level on the –

Moderator: Audio is not clear again.

Krishnendu Saha: Just wondering on the accounting part and on the margin part, Glenmark Life Sciences will not be in the numbers from FY25 onwards, how does the margin look because they do contribute something to the margins of the consol level.

V.S. Mani: As per accounting standard, this is how you see the margin today. And the earlier questions are also for the same. We have a continuing business, and we have a discontinued business. So, on the continuing business taking FOREX loss, we have a current quarter EBITDA margin of about 15.7% which we have given a clear trajectory and a glide path how we'll go to 19%, 2% from innovation R&D and from -

Krishnendu Saha: But I'm just wondering if it is the consol when Glenmark Life Sciences is consolidated and in FY25 when they are not, does it not impact the EBITDA margins?

V.S. Mani: So, that impact is only we're absorbing, no. I can't hear you clearly, but I'm just gathering what you're saying, it's hard to hear you out. From what I understand, you are telling that GLS margin will not be there. I agree that is what we are doing by virtue of these measures by which we are reducing our innovation R&D spend and we are looking at other markets which are doing better and growing, who's margins are expected to improve. So, both put together that is how we are expecting and also with some support from as we go along with Monroe, etc., we're very confident we'll come closer to 19%.

Utkarsh Gandhi: I think over and above that, the key is to take notice of is the PAT margins because in next year, you will see a significant improvement in the PAT margin. So, not only are we getting to that 19% plus EBITDA margin, right, but we're also expecting a significant improvement in the PAT margin compared to where we've been right along with GLS. So, that should drive the next year.

Krishnendu Saha: Just trying to understand, this is nothing to do with your guidance or whatever. Is there a 100% consolidation on the PAT margin for GLS on the consol level because we're not selling 100% so how does the consol do, do we have 100% of the profit of GSL in the consol?

V.S. Mani: The entire 100% of the EBITDA margin all is removed of GLS, there is nothing of GLS left back in the continuing business, it's completely out. In future, whatever we buy, we buy at arm's length.

Krishnendu Saha: No, I'm talking about historically, FY'22-23 numbers which are getting consolidated, do they match total 100% of the profit of creation into the consol, is it like if they earn 100, does it reflect 100 in the EBITDA margin, is it like that on a historic basis?

V.S. Mani: The entire margin of GLS is removed from here. It's not there in the continuing business.

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: We quickly read the disclaimer before we end the call, the documents prepared and discussed during the call today including information statements and analysis describing the Company or its affiliates, objectives, projections or estimates are forward-looking statements. These are based on current expectations, forecast and assumptions, and are subject to risks and uncertainties which could cause actual outcomes to differ materially from these statements depending upon economic conditions and other incidental factors. So, no representation of warranty is provided in relation to this document, and it should not be regarded by recipients as a substitute for the exercise of their 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 that, we can close the call. Thank you everyone for joining us today.

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