15th May, 2024

(1) BSE Ltd
Listing Department
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001
Scrip Code: 500087

(2) National Stock Exchange of India Ltd
Listing Department
Exchange Plaza, 5th floor
Plot no. C/1, G Block
Bandra Kurla Complex
Bandra (East), Mumbai - 400 051
Scrip Code: CIPLA

(3) SOCIETE DE LA BOURSE DE LUXEMBOURG
Societe Anonyme
35A Boulevard Joseph II
L-1840 Luxembourg

Sub: Q4 FY24 - Earnings Call Transcript

Dear Sir/Madam,

We are enclosing herewith copy of the transcript of the Company's Q4 FY24 earnings conference call dated 10th May 2024. The transcript is also available on the Company's website i.e., https://www.cipla.com/sites/default/files/CiplaLimited-Earnings-May10-2024.pdf.

Kindly take the above information on record.

Thanking you,

Yours faithfully,
For **Cipla Limited**

RAJENDRA KUMAR CHOPRA
Digitally signed by RAJENDRA KUMAR CHOPRA
Date: 2024.05.15 11:44:14 +05'30'

Rajendra Chopra
Company Secretary

Encl: as above

Prepared by: Chirag Hotchandani

“Cipla Limited

Q4 FY '24 Earnings Conference Call”

May 10, 2024

MANAGEMENT: **MR. ASHISH ADUKIA – GLOBAL CHIEF FINANCIAL OFFICER – CIPLA LIMITED**
MR. UMANG VOHRA – MANAGING DIRECTOR AND GLOBAL CHIEF EXECUTIVE OFFICER – CIPLA LIMITED
MR. AJINKYA PANDHARKAR -- HEAD INVESTOR RELATIONS – CIPLA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Cipla Limited Q4 FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ajinkya Pandharkar. Thank you, and over to you, sir.

Ajinkya Pandharkar: Thank you, Sagar. Good evening, and a very warm welcome to Cipla's Q4 FY Q4 Earnings Call. I'm Ajinkya Pandharkar from the Investor Relations team at Cipla. Let me draw your attention to the fact that on this call, our discussions will include certain forward-looking statements, which are predictions, projections and other estimates about future events. These estimates reflect management's current expectations of the future performance of the company.

Please note that these estimates involve several risks and uncertainties that could cause our actual results to differ materially from what is expressed or implied. Cipla does not undertake any obligation to publicly update any forward-looking statement, whether as a result of new confirmations, future events or otherwise. I hope you received the investor presentation that we have posted on our website.

I would like to request Umang to take over.

Umang Vohra: Thank you, Ajinkya, and good evening to everyone. Thank you for joining us for our fourth quarter earnings call for financial year 2024. In FY '24, we recorded our highest ever revenue and EBITDA, including major milestones across our flagship businesses of One-India, North America and South Africa. Our One-India revenue reached the threshold of INR10,000 crores, North America crossed $900 million and South Africa reached the top spot in Prescription business in the country.

To make this journey sustainable, we are continuing our investments across the complex pipeline, the CapEx, the big brands and the operations. I'm pleased to share that we finished this fiscal with significant progress in our top priorities. Our first priority, we continued market-leading growth in our focus markets. Our One-India business posted a healthy growth of 10% for this year, propelled by traction in the Branded Prescription and Trade Generics, while Consumer Health was impacted by seasonally slower market.

Our Branded Prescription business continued to outpace the market growth in this quarter with Cipla growing 100 basis points ahead of the market as per IQVIA Q4 FY '24. This performance was largely backed by respiratory and cardiac therapies, which grew 10% each, respectively. Chronic therapies now have a share of 61% in the portfolio, higher by almost 100 basis points year-on-year and grew at 10% year-on-year versus IQVIA MAT March '24.

To improve our offerings, we were adding a niche set of innovative products like inhaled insulin, plazomicin, et cetera in our portfolio. We have a pipeline of similar assets which are currently under various stages of development.

In this fiscal, our Trade Generics recorded a double-digit year-on-year growth, further consolidating its leadership position in the market. Strong execution in key therapies, deepening distribution network in Tier 2-6 cities and 40-plus new launches as well as technological interventions were the key drivers for the growth this year.

With a view to consolidate our distribution channel, we recently changed our model to increase the direct touch points, which will help us with improved trade visibility and will position us closer to the market. We are confident that this change will help us unlock the immense potential in the Trade Generics market in India. The consumer health franchise was flat year-on-year in a year adversely impacted by seasonality while operating profitability continues to be sustainable. Recent improvement in the demand cycle and inorganic investments will help this business scale up further in the upcoming fiscal.

In North America, we reported an all-time high annual revenue of $906 million, which was 24% growing over the previous year. The performance was led by traction in differentiated portfolio and sustained demand for the base business. In Lanreotide, we have scaled the product to achieve a market share of 20.8% as per IQVIA Feb '24, which itself is a benchmark in the 505 (b)(2) market.

In Abuterol, our market share was in the range of 12% to 13% at the end of the year. We have a strategy in place to improve this market share by a few more percentage points. The market share has already increased to 15.5% as per the prescription data for April '24. Overall, we continue to be one of the fastest-growing among the top 5 companies. Recently, we achieved a leadership position in the pharma prescription for the South Africa market as per IQVIA MAT March '24. Here, again, we recorded 11.2% year-on-year growth in secondary versus a market growth of 2.1% as per IQVIA MAT March '24.

In OTC, we have fastest growth amongst the top 5 players in the market and aspire to be ranked #2 in the near future. Our second priority has been about investing in the future organically and inorganically. Our organic investments have been focused towards investing in R&D, primarily for our U.S. markets. In Respiratory, we have filed 5 assets, including Symbicort and generic QR with launches expected within 3 years. Further, we are targeting to file 2 respiratory assets with significant revenues in the next 12 to 15 months. In peptides and complex generics, 12 assets are already filed with most launches in 2 to 4 years.

As alluded earlier, we strive to launch 4 peptide assets in FY '25. We are also working on several 505 (b)(2) opportunities in complex ANDA products, which are currently under development and will be key to our future portfolio. For organic partnerships and investments, we have been very mindful of the choices to allocate capital. Earlier this year, we invested in Actor Pharma, which stands fully integrated as on date and is expected to help accelerate our South Africa OTC portfolio in FY '25.

Recently, we entered into a marketing and distribution partnership with Sanofi to expand the reach of CNS portfolio in India. In line with our focus to enhance our chronic portfolio. In Cipla Health,

we entered into a brand acquisition for the cosmetic and personal care business of Ivia Beaute Private Limited, which includes their flagship brand Astaberry to bolster our India OTC portfolio.

During the year, we disinvested our QCIL portfolio and focus on allocating our capital to other growth projects, while we continue to serve Africa through our Global Access business. In the past year, the U.S. FDA audited 3 of our facilities based in the U.S. and issued either a VAI or 0483 observations. Our new facility in China, which has capabilities in manufacturing respules for local markets as well as the U.S. also cleared the U.S. FDA audit with 0483 observations. We expect to start supplies of the respules to U.S. from China a strong amount in the second half of FY '25. Meanwhile, a Goa Unit 5 unit cleared GP audit by the MHRA U.K. earlier this year.

Recently, 2 of us the Patalganga and Kurkumbh also underwent the U.S. FDA audit. The Patalganga facility was issued with six 483 observations and the Kurkumbh audit ended with 1 observation. We await the official classification for both the sites.

In Goa, we have now finished remediation equities and are ready for the U.S. FDA while at indoor, we are focusing on getting the plant remediated. I would now like to invite Ashish Adukia to present the financial and operational performance.

Ashish Adukia: Thank you, Umang. I would like to now present key financial highlights for the quarter and financial year 2024. To clarify, the numbers are adjusted for QCIL disinvestment, which was completed earlier this year. We are pleased to report our quarterly revenue of INR6,163 crores with a healthy Y-o-Y growth of 10% driven by our focused markets. As a result of this quarter, we ended the year at INR25,455 crores with revenue growing 14% Y-o-Y. The EBITDA margin for the quarter stood at 21.4% versus last year of 20.45%, almost 100 basis points improvement. And for the year, the EBITDA margin was 24.5% as against last year of 22.2%, again, 200 basis points beat.

Gross margin after material costs stood at 66.7% for the quarter, which is 192 basis points over last year. The gross margin for the year is at 66% higher by 200 basis points Y-o-Y. Expansion and profitability is largely due to favorable mix, calibrated price actions across branded and generic portfolio and impact of easing cost inflation. Total expenses for the quarter include employee cost and other expenses, which stood at INR2,797 crores, higher by 6.7% on sequential basis.

Annually, the expense were INR10,572 crores, higher by 13% Y-o-Y. R&D investments for the quarter are at INR444 crores or 7.2% of revenue against our yearly average of 6% to 7%, driven by product, filing costs and developmental efforts higher in the quarter by 19% versus last year. Overall for the year, the R&D investment stood at INR1,571 crores or at 6.2% of the revenue.

Profit after tax for the quarter is at INR939 crores at 15% of sales, ETR at 25.8%. Full year profit after tax stands at INR4,106 crores at 16% of sales and ETR at 27.1%. Our capital investments for the year were INR1,315 crores, out of which 70% was invested towards growth and improving our capacities and capabilities while the balance was deployed towards maintenance and sustainability.

Free cash generation and operating efficiencies has resulted in a healthy cash position, as at the end of the year, the gross debt on our balance sheet is INR559 crores, which also constitutes the

lease liabilities and working capital facilities. Cash equivalent balance as on the date stands at INR8,267 crores.

Looking forward, our key focus areas for FY '25 will be growth for One-India led by Rx, where our aspiration continues to grow higher than IPM backed by chronic portfolio. Efforts in Trade Generics will be channelized towards smooth transitioning to the new operating model for a long-term benefit. This may have an impact for a quarter, but over the year, we hope to recover.

Cipla Health should be backed by -- on its growth trajectory after a difficult year impacted by seasonally slower demand. In North America, the aspiration will be to grow our top line, Y-o-Y, primarily backed by commercial execution of existing portfolio and new launches. We remain focused on resolution of U.S. FDA observations, derisking our product launches. We would continue to explore inorganic partnerships and acquisitions. Growth in South Africa supported by private and select tender business with priority on margin improvement.

In EMEU, the top priority is to improve top line while margins are maintained at a sustainable level. ROIC continues to be very healthy at around 31% for the last year. We aim to deploy INR1,500 crores in capital investments to enhance our manufacturing capability and improve sustainability.

EBITDA margin for the full year is expected to be up 200 basis points over last year, which should result in the range of about 24.5% to 25.5% to EBITDA margin. I'd like to thank you for your attention and would request the moderator to open for the questions.

Moderator: The first question is from the line of Saion Mukherjee from Nomura.

Saion Mukherjee: Sir, can you explain the dynamics in the Trade Generics segment. You talked about some restructuring on the channel? What exactly is that? And what's the impact you expect in the first quarter here? And secondly, what's the total contribution to the One-India number from the Trade Generics and given that many players are focusing on that in this segment, what's the -- if you can comment on the dynamics you're holding here.

Ashish Adukia: Sure, we are on Trade Generic, okay, the model change that we're talking about is that we used to earlier have a sole CFA agent, which used to earn the commission and they used to handle the collections as well as inventory, et cetera. And now what we have done is that, that converts into only a marketing agent, okay? So it will only be a commission, and we'll directly deal with the stockist underlying that sole agent.

So we will have direct connect with the stockist now. Now this requires a little bit of administrative changes, et cetera due to which there can be some hiccups in the first quarter as we transition with the Direct Connect. But over a period of time, like I said, it will ease out to normal growth. On the second question, this split, we usually -- we don't give that split. It's the same split as both have grown trade carriers slightly higher than the Rx market. So the split is broadly same as it has been in the previous year.

Umang Vohra: Yes. Maybe I can add, Ashish, just a couple of points. So Saion, the attempt is to move closer to the trade in generic. We'd like to actually consolidate distribution across our Rx and Gx, and we think that by us taking the operation over, we will be able to make closer to trade and that's the change that's happening in Gx.

I think that your question is how much is it going to be an issue in the quarter. It's not significant enough for us to get concerned, right now. There might be some impact as and inventories get reshaped, but not significant for us to be worried about. I think on your next question, just very quickly on the generics business is also a branded business. You have to fundamentally understand this. medicines don't sell as paid generics as Gx, Rx, they sell as still branded GX. And I think the dynamics of that business are still highly dependent on the brands you sell.

So as long as there's brand saliency, competition may impact you, but our thesis of big brands going bigger continues to shape the trajectory of that business.

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

Kunal Randeria: Sir, my first question is on your inorganic investments. So while you get the door open and you want to be judicious about it, few years back we have made some forays in semi-specialty products like IV tramadol, prednisone. So while I understand it didn't work out, are you still keeping your options open? And if so, perhaps you would like to maybe tell us which kind of assets you would be interested in and the amount that you'll be comfortable investing?

Umang Vohra: Ashish bhai, maybe you can answer that.

Ashish Adukia: Sure. See, I think with India, we are fairly comfortable with the growth, et cetera, that is available in the market. So we can make a large acquisition in India to make sure that in the white spaces, the therapies, et cetera, which is our focus areas where we're not a leadership position, we'll go ahead and we can make large acquisitions out there.

When it comes to U.S. portfolio, partnership or in-licensing, products, et cetera. There, I think it won't be a large acquisition, and it will be a lot focused on product where there is some differentiation available, either it could be supply constraint or lower competition due to many reasons. I would be interested in such opportunities out there so that it has a longer life in the market. Umang, if you want to add, please go ahead, yes.

Umang Vohra: No, I think what you've covered is great. I think that's very elaborate. Thank you.

Kunal Randeria: Sure. And my second question, with so many players coming in Trade Generics in India, how do you see this market shaping up? Because at some point, it will cannibalize -- it had already started to cannibalize the branded market for the industry. So it's just your thoughts on how the market will shape up in the next 2 to 3 years?

Umang Vohra: Actually, I have a different view on this. And let me offer it. We don't see more than a 20% overlap between what sells in the Tier 2 to 6 cities in our generics business versus what sells in these cities

from our Rx or Prescription business. There is very little of the Prescription business that filters down to Tier 2 to 6 towns.

And therefore, we believe that the generic business, as penetration of healthcare deepens, is only going to expand in volumes. It's not going to decrease. Having said that, and as I mentioned earlier to Saion, the business is still a branded business. And the salience and relevance of brands is very important. So the older the brand and the more current of therapy, the business will continue to grow. And over the last 2 years or 3 years, we have been diversifying ourselves away from a pure chronic orientation in this part of the business.

So we feel competition is good. It will drive definitely growth higher, but we don't see this business as cannibalizing the branded business in any way -- the Branded Prescription business in any way. That's number one. Number two, we think the market is big enough to drive further penetration through the competition activities; and three, businesses, which have been historically present and have large branded franchisees because that's essentially what the generic business is, are actually on a firmer ground compared to some of the newer entrants.

Moderator: The next question is from the line of Nitesh Dutt from Burman Capital.

Nitesh Dutt: I have a question on the manufacturing strategy of our India business, both the Prescription and Trades and Generics side. So what percentage of the manufacturing is currently being done in-house and what percentage is outsourced and will you be maintaining the same mix going forward? And second, also I want to understand if the -- for the outsourced portion, is that fragmented across a lot of suppliers or consolidated amongst a few top players?

Umang Vohra: So I'll try and give you an answer. I think the -- we have a larger share of the Prescription business manufacturers in Cipla facilities than the generic business. I think we have strategic partnerships with a lot of people, some of whom consolidate with us. And typically, it's easier to consolidate manufacturing in sales in U.S. than it is in injectable facility than it is in dermatological facilities. So I think we have a strategy of consolidating facilities here, but in-house facilities supply a much larger share of our Prescription business than the Generic business. But in-house facilities supply both businesses as of today.

Nitesh Dutt: So it's just possible to give any number on what percentage might be getting outsourced and what is getting manufactured in-house?

Umang Vohra: So I can give that to you. The only issue is that it varies quarter by quarter. And the reason for that is that it's seasonal. So when you see a huge amount of the respiratory season, most of that comes from in-house. When you see a season, which is more chronic-heavy, again, a large portion of that comes from in-house. So I think it's difficult to give you a picture other than just perhaps say that a large share of our -- a larger share of our prescription business comes from in-house than the Generics.

Nitesh Dutt: Understood. And sir, finally, the government has been placing a lot of emphasis on cracking down upon some of the smaller CMOs, et cetera, and focusing on stricter implementation of schedule

and norms, et cetera. So can it impact our procurement strategy or contract manufacturing in any way? Consolidation or increasing the procurement cost?

Umang Vohra: No, it's a great question. I think by and large, the industry and the IPA is moving to facilities that have as a minimum WHO approval. So that's the first step that started happening. So if there's a facility that at least have WHO approval, it's going to be preferred. If it's got an approval, which is WHO plus Europe plus something else, then obviously, that's Gold standard. It starts getting closer to Gold standard. So that's 1 that most companies are now looking at and this will hopefully push the standard of manufacturing in the Indian diaspora.

The second is a more heightened oversight of quality, including release tests, et cetera, at these facilities, where most companies are now adding a lot of requirements and more spontaneous quality checks, including audits by -- including unannounced audits by other respective companies. So I think those are the 2 models that perhaps are immediately impacting the industry, but I think that's -- I'll leave it at that.

Moderator: The next question is from the line of Kanha Agarwal, who is an Individual Investor.

Kanha Agarwal: Sir, why is there an increase in the other expenses for the quarter versus Q3?

Umang Vohra: I'll request Ashish Bhai to answer.

Ashish Adukia: That has manufacturing cost, that has SND, that has even CSR sitting out there. So it has many items out there. So R&D also is sitting there. So there's increase in R&D because of one of the filings also that we have made. So it's due to this combination of reasons that we have an increase in the cost out there.

Kanha Agarwal: We should subside in the next quarter?

Ashish Adukia: Yes, absolutely. It will -- so quarter-on-quarter, this can change. But if you look at the entire year, it is going to be in line with the sales growth, and we maintain the percentage that discipline is maintained.

Moderator: Next question is from the line of Damayanti Kerai from HSBC Securities and Capital Markets India Private Limited.

Damayanti Kerai: My first question is you mentioned in your presentation 12 assets were filed in peptides and complex generics, which would likely see launch during FY'25 to FY'27. So just want some more colour on like the market opportunity for some of these critical assets and whether these will be manufactured in-house or you'll be getting it done through CMO.

Ashish Adukia: Yes. So peptides -- all of our peptides is manufactured by our third-party partners. And on market opportunities, there are some of them that can be large opportunities like in case of our current portfolio, but there's a long tail as well.

Damayanti Kerai: Okay. So mix of some significant assets plus smaller assets here?

Ashish Adukia: Yes.

Damayanti Kerai: Just coming back to U.S., with $900 million of base now, you mentioned like you will sustain growth, but whether for that new launches like your Abraxane, et cetera, should come in? Or you believe current portfolio has significant headroom to sustain growth from this $900 million base even for FY '25?

Umang Vohra: I think we -- Go ahead, Ashish. Go ahead.

Okay. So yes, I think the -- we think the current portfolio has opportunity within the set of products because as we mentioned, we think Albuterol can be slightly higher in share. We think that Lanreotide can still increase its share. And so I think there is a fair amount we can build out of the current portfolio, but also from new tranches. I think the step function jumps in growth will come more from new launches. So we will have a very normalized growth rate from existing portfolio, but the new launches will add the step functions to it. So both -- the answer would be both.

Damayanti Kerai: Okay. That's helpful. And my final question is any update on Goa plant from FDA side when they would likely come? And do you still expect Abraxane to potentially see launch in this fiscal year?

Umang Vohra: So the timing of Abraxane is going to depend on Goa inspection. We've earlier -- Goa is the earliest path for a launch. I think so -- that can happen earlier part of the year. There's a good chance for Abraxane to visit this in the later part of the year, maybe not. So it's all linked to the Goa inspection. We think the Goa inspection from our last inspection, we will be completing roughly about 2 years in July, August of this time frame. So that would -- around that time or beyond that is probably the time to expect reinspection.

Damayanti Kerai: Okay. So most likely in the first half of this fiscal, if FDA visits the unit, then there's a good chance of Abraxane will come this fiscal year.

Umang Vohra: Yes. I mean I would say that, but I think we -- please keep in mind that inspection needs to happen, then there is a 90-day process post inspection for a company to respond and then the EIR comes and then the asset has to be approved. So you just factor that time line, it's very sensitive to when the plant is audited.

Moderator: The next question is from the line of Surya Patra from PhillipCapital India Private Limited.

Surya Patra: My first question is about the potential business opportunities in the specialty areas. Earlier, we have already talked about biosimilar alliance and spending towards CAR-T kind of therapies, mRNA. So is there any update on that side or are we seeing any kind of meaningful progress on those front as a growth driver for our future business?

Umang Vohra: Happy to answer on that and Ashish can add. So we are beginning to see -- to make choices on capital allocation in that side and it's not so much with the perspective of the next 1 to 2 years, but really the transition of medicine that's happening where biological sciences are perhaps becoming more and more relevant in the field of pharmaceuticals. So we are now in the process of setting up an mRNA lab in Germany. That process has started. We have recruited a few members of the team.

Biosimilar asset is now hopefully going to enter Phase I soon, which is an asset that is likely to launch around the 2030 time frame. And that's 1 asset that we are working on, and there are a few other. And on CAR-T, we are evaluating what we can do in that space as well.

So this whole area, along with our investment in Stempeutics is the new area of science which will become relevant 5, 7 years later in the area of medicine. And I think we want Cipla to have a chance to be able to play a formidable role, just like it does in the chemistry side of the world, but also to play that role in the biology side of the world.

Surya Patra: My second question is on the, let's say, since it is the fourth quarter full year call that we are discussing. So can you give some sense Respiratory as a portfolio what would be its revenue share, let's say, for U.S. and for your Global business? And since our developmental pipeline is also focused around it. So let's say, over the next 3- to 5-year period, what is the revenue mix that you would like to have from this respiratory portfolio?

Ashish Adukia: See, overall, if you look at our Respiratory across global revenue, it should be somewhere around circa 30%. That's the kind of share that we have and in the U.S., it's the respules, it's Albuterol, these are the key products that we have, Arformoterol. These are the key products that we have in Respiratory and then, of course, we talked about Symbicort QR and some of the other products also that we are working on.

So Respiratory is certainly -- we are leaders out there. And the whole idea is to retain and grow that leadership in all the markets that -- where we are selling these products.

Surya Patra: Sir, just an update or a clarification rather, in terms of the Lanreotide, see, we have certainly seen a kind of study progression. But is there any risk that one should think about the pricing situation? Or is there any risk to the current pricing that you are having for Lanreotide?

Ashish Adukia: So it's a 2-player, broadly a 2-player market as we see it. So depending on the other players, the prices may vary. But we look at it as a total value that we have and the whole idea is to actually grow that value this year.

Surya Patra: Okay. On your permission, sir, just one clarification. So what is the update on the inhalation line that you are trying to set up in U.S., whether it has been set up already?

Ashish Adukia: Yes. No, that's underway. So like this was part of our derisking plan to actually set up these lines in our Fall River facility. So basically, our InvaGen facilities that we have across 2 locations. And one of them will be more focused on inhalation -- in the inhaler assets that we have, which we are filing for the approvals. This is part of the derisking, it's very much on track as we speak.

Surya Patra: Sure, sir.

Umang Vohra: Ashish, can I maybe just clarify a little bit more on that. So 2 lines, as Ashish mentioned, the first is in line for MDI, which -- where we have already taken reg batches for several assets, right? And the line has been approved by the FDA, and it's -- the plant has gone through an audit possibly 2

times already. The second is a new facility for DPI, which is summing up and where the -- equipment qualification is happening now, feasibility batches are being taken. That's for the DPI.

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

Tushar Manudhane: Firstly, sir, there has been some news flow about this GST relief coming through. Any thoughts on this?

Ashish Adukia: We have not got any specific GST incentive circular relevant to us.

Tushar Manudhane: Okay. Secondly, sir, just to know how much investment you would have done for your facility in China.

Ashish Adukia: About $40 million to $50 million, somewhere around that ZIP code. And it's got its approval now and both for the facility as well as for the product.

Tushar Manudhane: And how many more products you are going to file or awaiting approval from this side if you can give some more colour?

Ashish Adukia: Sorry, your voice.

Umang Vohra: Let me take that. I'll take it. I think what he's asking is how many products you expect to file from the facility. I think this facility is only a respules facility. So our strategy is to -- there are fewer respule products than many other OSD products. We will file respule products, which are basically steroids, but we would also be filing products. We are taking the same product to multiple geographies where we can service the demand.

Tushar Manudhane: I understand. Sir, given the cash continuity in the balance sheet and while the investment, let's say, in the new areas, let's say in biosimilars is relatively smaller, is there any thoughts or strategy in terms of adding new geographies per se, apart from India, North America, South Africa?

Ashish Adukia: So we don't have any -- we already operate in many countries. So we don't have any strategy to add a new geography. We will look at some of our key markets, growing market in international where we want to go deeper, and definitely, China would also feature in that. Now we have a facility there. We're looking at growing that geography for ourselves more than what we are today. Other than that, there is no really active strategy to look at more geographies.

In terms of your question around capital allocation. We have stepped up the dividend by -- from INR8.5 per share to almost INR13 per share. And beyond that as well, I think the whole idea is to focus on some large growth opportunities, not just smaller investments, but large M&A growth opportunities that we have. So we have -- we are actively looking at many growth opportunities which should consume some of the capital that we have.

Tushar Manudhane: Understood. So just lastly, on the capital allocation point of view, let's say, next 2 to 3 years? How much do you intend to invest in the biosimilars both product development as well as, let's say, building the manufacturing capability?

Ashish Adukia: See, it's difficult to give out those numbers. We have already indicated that currently we're working on 1 global biosimilar asset. There are -- we have plans to add more. And as you may know, how much it takes to per asset in terms of development. So we -- it's difficult to give a number to it, but we always look at the new horizon growth to be core part of our strategy, which includes biosimilar specialty, CAR-T and what Umang had talked about shift from chemistry to biology.

Moderator: The next question is from the line of Amey from JM Financial.

Amey: Congratulations on a good set of numbers. I have first question on the EBITDA guidance, which was given in the opening remarks around 24.5% to 25.5%. Does the guidance include the higher sales of Revlimid in FY '25 or in FY '24? And the second question is on the Sanofi tie-up, which we have done for CNS products. If we can give more colour on this tie-up, are these complement -- are these products complementary to our portfolio? And also, what will the contract structure for these kind of products?

Ashish Adukia: So see, this is an overall EBITDA guidance that we're giving of 24.5% to 25.5% across all markets. And on your second question on Sanofi CNS portfolio, that's something that as per IQVIA is about INR250 crores of sales for us. And the whole idea of what we have been mentioning that therapies, which we have identified as our focused therapies, we would like to increase our share because that helps us in a longer term to not just gain share, but have better growth as well.

Amey: But when these contracts would be like royalty driven or you will be getting mark up? Like how would be the profitability for these kind of contracts?

Ashish Adukia: Sorry. So I have one correction.

Umang Vohra: Let me take that. Ashish, let me take that question, but complete your point.

Ashish Adukia: INR250 crores -- INR150 crores IQVIA MAT. Go ahead, Umang.

Umang Vohra: Yes. No. So these will be very typical to licensing arrangements that we have on other products. There's going to be not much difference in the terms here versus the other. But I think what it adds a strategic value to us is the ability to be present in a category of products where we believe that, for example, we are very strong in epilepsy, and we aim to become stronger in neurology. And I think these are better products like this, which allow us to complete the offering in the CNS space.

Amey: Got it. But the Frisium is for epilepsy, right?

Umang Vohra: That's what I'm saying, so epilepsy and neurology. That's where we want to be in the CNS space. So for example, within the CNS space, at this point, we don't have either the portfolio or the muscle power to be -- to compete with others who have stronger portfolios in the psychiatry space, for example, right? Or even in the Parkinson's space. But our portfolio is more present and allows us to compete in the space of epilepsy and possibly other conditions of neurology. So that's why this portfolio was important to us in those categories.

Amey: Got it. And just one more follow-up on the first answer on the overall guidance. The reason I'm asking because the incremental sales, if you assume the 10% kind of a growth next year, for that

kind of a margin, the incremental sales will be coming at around 30% plus EBITDA margin, 35% plus EBITDA margin. So it will lead a good amount of sales from high-margin products. So that's why I was asking whether the Revlimid increase in sales for you in this guidance or no?

Ashish Adukia: So we have certain cost measures also. There is overall focus on improvement of COGS as well as other costs as well that we'll focus on to try and achieve the margin that we have guided towards.

Umang Vohra: I think the answer will be yes. The answer will be yes. It is fairly comprehensive of what we think we can achieve based on various factors that are coming. I think one of the things that we are also guiding towards is a sharper investment in India and the field force. We will be expanding our field force in India. And I think the numbers that we've indicated to you are consummate number of that.

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

Nitin Agarwal: US will have 2 more years of reasonable Revlimid contribution with whatever growth plans we have in place, I mean, how do you see a potential FY'27 be? Do we have enough levers in the business to grow beyond whatever we do in FY'25, FY'26 and FY'27 on top of that?

Umang Vohra: Yes. Maybe I could go first and then Ashish can comment. Look, I think while we have Revlimid in our numbers today, we are also constrained by the inability to launch several products from our facilities due to their citation. And some of these products are fairly -- can be fairly material to the trajectory of this -- of our company. So I think that's the first thing that we should just keep in mind that as some of these facilities become citation free, there will be an opportunity to launch those portfolios.

Second, as Ashish mentioned, we're also preparing for a post Revlimid scenario. It is not just pipeline and portfolio, but also a fair and significant amount of effort for the organization on the cost front and that exercise has started.

The third aspect is we continue to see robust growth in India, and a large portion of that growth hopefully will stay and continue to stay profitable as we expand into the interiors. So we are seeing growth coming from there. We are seeing growth coming from our emerging markets and new franchise, which has historically been flat. And we see a pipeline that will support Revlimid going away. Some of which is pending just inspections, some of which is actively under review along with our cost program. So that's how we look at our business transformation.

Nitin Agarwal: And just another one, you mentioned about in your previous call, a largish launch coming through in Q1 on a peptide. I mean, are those -- is there -- those plans still on track for that launch?

Umang Vohra: Yes.

Ashish Adukia: Yes.

Nitin Agarwal: And if I can, last one, you did mention a little bit in your comments about emerging markets in Europe. I mean, relative to peers, I mean, this has been a relatively underperforming segments for

us. How do you see -- is there anything that we are looking to do to incrementally move up the momentum here? And where do you see these 2 segments really moving forward?

Umang Vohra: So the problem with emerging markets over the past 3 to 4 years has been Cipla's presence in a lot of geographies, which got impacted by the economic environment in the world. Where we are today is that we believe most of these have bottomed out. And we see that this is a very good base to possibly show growth now going forward. Also, our pipeline in Europe should hopefully unlock. We've been building that over the past 2 to 3 years. And so if you add those 2 together, while we are not guiding to say that the business is going to triple or double or that's not where we are going, but I think we should hopefully be able to see a respectable double-digit growth in this segment.

Moderator: Ladies and gentlemen, we'll take the last 2 questions. The next question is from the line of Kunal Dhamesha from Macquarie Capital.

Kunal Dhamesha: So the first one on the revenue growth has been put out. Have I missed something as to what our expectations are in terms of revenue growth for FY '24?

Ashish Adukia: So we do not give revenue growth guidance, but certainly, for our core markets of India, U.S. as well as South Africa, and then especially India, South Africa because that's actively tracked in IQVIA, we would like to grow faster than the market and we are guiding towards that.

Kunal Dhamesha: Okay. And in terms of the R&D expenses for the next year, how do you expect to trend? I think this year was 6.2%.

Ashish Adukia: So it should be in the range of 6% to 7%. We continue with that range.

Kunal Dhamesha: Okay. And then if I may, the last one on the -- when you say this 24% and up to 25.5%, would it be contingent on Goa plant clearance, EBITDA margin increment?

Ashish Adukia: No, no, this is not contingent on Goa plant clearance.

Kunal Dhamesha: That should provide an upside if it happens. Right?

Ashish Adukia: So yes, certainly, there could be some of them. But we..

Umang Vohra: It depends on the timing of the inspection, right, completely? Because if the timing of the inspection is later in the year, we are unlikely to receive any impact out of this. If it's slightly earlier in the year, again, keep in mind the 90-day process post inspection and then the file movements, right? So you could actually say that after the audit, it will still take about 3 to 6 months for assets to start getting clear. So it completely depends on the timing of the audit. But as of now, we've assumed that this only will come in the later half of the year. The asset progression will start only in the later half of the year.

Kunal Dhamesha: Sure. And the last one on the generic Advair filing. So between Imdur and the new line that you have put up in U.S., which in your view would be faster and when are we putting that launch into our future framework?

Umang Vohra: So I think we are hoping that the batches in the new site can happen -- can start since we are already at the feasibility stage. And I think the timing will start from there.

Kunal Dhamesha: Okay. And when are you putting it as a broad range.

Umang Vohra: I'm sorry?

Kunal Dhamesha: In terms of launches within the next 3 years, where it will be, it will be in the third year, second year?

Umang Vohra: Well, I think we have a good shot at launching it towards the end of this year for sure, for sure, fiscal year for sure. I think that we have a good confidence of doing , but it depends on the line.

Moderator: The last question is from the line of Alankar Garude from Kotak Institutional Equities.

Alankar Garude: Sir, when you talk about increasing share in Albuterol and Lanreotide in FY '25. Are you factoring in incremental competition in both these products?

Ashish Adukia: Yes, like whatever new players are likely to come in, we are cognizant of that. And with that, we are aiming to increase our market share.

Alankar Garude: And in both these products, right?

Ashish Adukia: Yes. So albuterol, we've already, in April, seen some growth like we have suggested from 12% to 13%, we are at about 15%, and we see that trend of going up continuing.

Alankar Garude: No, I meant, I mean in terms of facing incremental competition that can be expected in both the products, right?

Ashish Adukia: Albuterol has got all your competition already in the market, so we don't have any incremental competition there.

Alankar Garude: Understood. Understood. And maybe a second question there, Ashish, I mean, linked to the inhalation portfolio. Now with innovators lowering prices for out of patient -- out-of-pocket patients starting June, is there a risk to generic pricing in both Albuterol and maybe Advair later on? And conversely, I mean if there is a possibility of lower rebates, can that actually lead to higher generic share for some of these inhalers?

Ashish Adukia: So in case of Advair, we've already seen the market over a period of time to have come down, besides, so I don't think it will go down further. And Umang, you may add if you have any perspective.

Umang Vohra: No, actually, the other trend may start. If the rebating is lower, then actually the generic share would go up. So it could go either way. It's not necessarily that the generic is today in a category like Advair still only 50% or 60% of the market with 2 or 3 players already, right? So we think there is volume play there. On Albuterol, I'm not sure we are looking at significantly increased competition, at least in the category that we are playing in.

Alankar Garude: That's helpful. Maybe one last question with your permission. So you have been speaking about pursuing in-licensing opportunities within GLP-1 in India. Now considering that there would be many more companies interested in such tie-ups what would be Cipla's USPs here? I mean in your picture to these innovators, what would be the point for you to highlight?

Ashish Adukia: So we have excellent in-licensing partnerships already and built over a period of time and that relationship will definitely give us, hopefully, an edge over others. And we are a large player in the country. And at the same time, we are evaluating from our side all possible options, our own partnerships, et cetera, because it's a large opportunity overall that we would like to play in India.

Moderator: Ladies and gentlemen, we would take that as a last question. I would now like to turn the conference over to Mr. Ajinkya Pandharkar for closing comments.

Ajinkya Pandharkar: Thank you, Sagar. I thank you all for joining this call. If you have any further queries or questions, please reach out to investor.relations@cipla.com. I wish you all a very happy weekend.

Moderator: On behalf of Cipla Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.