“Glenmark Pharmaceuticals Limited Q4FY24 Earnings Conference Call”

May 27, 2024

MANAGEMENT: **MR. GLENN SALDANHA – CHAIRMAN & MANAGING DIRECTOR, GLENMARK PHARMACEUTICALS LIMITED**
MR. V. S. MANI – EXECUTIVE DIRECTOR & GLOBAL CHIEF FINANCIAL OFFICER, GLENMARK PHARMACEUTICALS LIMITED
MR. ASHISH MUKKIRWAR – GROUP VICE PRESIDENT & HEAD, STRATEGY, GLENMARK PHARMACEUTICALS LIMITED
MR. UTKARSH GANDHI – GENERAL MANAGER, INVESTOR RELATIONS, GLENMARK PHARMACEUTICALS LIMITED

Moderator: Good Morning, Ladies and Gentlemen. Welcome to the Q4 FY'24 Earnings Conference Call of Glenmark Pharmaceuticals Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" 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 Q4 FY'24 Results Conference Call of Glenmark Pharmaceuticals Limited.

Before we start the Q&A, "We will review the Overall Performance for the Company for the 4th Quarter and the Full Year 2024."

For the 4th Quarter of FY'24, Glenmark's consolidated revenue from operations was at Rs.30,630 million as against Rs.30,005 million in the corresponding quarter last year, recording an overall year-on-year growth of 2.1%.

For the 12 months of FY'24 Glenmark's consolidated revenue was at 1,18,131 million as against Rs.1,15,832 million, recording a YoY growth of 2%.

In terms of key highlights for the Fiscal Year '24, so across businesses, there were some key highlights. In the 4th Quarter, Glenmark gained two positions to be now ranked as the third largest Company in the cardiac segment of the Indian pharma market as per IQVIA March Data.

Glenmark's Europe business registered a strong growth of 33.7% for the full year and the RoW business also recorded a robust growth of 16.1%.

RYALTRIS was launched in seven additional markets across the globe, either on our own or through a commercial partner, and as of March 2024, RYALTRIS has now been launched in 34 markets across the world.

The Company also enhances global branded portfolio through the in-licensing of Envafolimab for India and RoW markets and WinLevi for some European Markets, UK and South Africa.

Ichnos Sciences announced the worldwide out-licensing agreement for its OX40 portfolio, including ISB 830 with Astria Therapeutics.

Glenmark and Ichnos entered into an alliance -- Ichnos Glenmark Innovation to accelerate new drug development in cancer. And Glenmark completed the divestment of 75% of its stake in Glenmark Life Sciences to Nirma Limited.

In terms of our performance across regions starting with India, so sales for the formulations business in India for the 4th Quarter of FY'24 were Rs.9,391 million as against Rs.8,316 million in the corresponding quarter last year, recording a growth of 12.9%.

In terms of secondary sales, Glenmark's India business continue to outperform the overall industry in terms of growth as per IQVIA March 2024 Data. Glenmark's India Formulation business recorded a growth of 11.4% in the 4th Quarter and about 10% growth as of mat March '24. In comparison, the IPM grew at 5.6% in the 4th Quarter and about 7.5% as of MAT March '24.

Glenmark continues to outperform the market in terms of its key therapeutic areas of cardiac, respiratory dermatology. We have provided a table in terms of our Q4 and MAT growth in the MDA.

Glenmark's India business continues to be ranked 14th with a market share of 2.16%. 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 in dermatology and respiratory segments. As mentioned before, Glenmark is now ranked third in the cardiac segment and is ranked 17th in the diabetes segment.

As noted in the MDA, Glenmark has also improved its market share across some of the key therapy areas.

In Jan '24, Glenmark and Pfizer joined hands to launch JABRYUS, which is Abrocitinib, which is the first of its kind oral advanced systemic treatment for moderate-to-severe atopic dermatitis in India. Developed by Pfizer, JABRYUS has received marketing authorization from the CDSCO in India and is also approved by the USFDA, the EMA and other regulatory agencies. So, Abrocitinib which is the molecule is being co-marketed by Glenmark under the brand name, JABRYUS and CIBINCO and by Pfizer respectively.

In terms of our consumer care business in India, the primary sales in Q4 were about Rs.673 million, with a growth of 3% for the full year. The GCC business recorded a growth of Rs.2,570 million with a growth of 14%. The Company's flagship brand delivered growth of 15% for the full year, Candid Powder and La Shield portfolio delivered a YoY revenue growth of 8% while Scalpe grew by 23% in full year FY'24.

During the year, various line extensions were launched and performed well, particularly a couple for La Shield and Scalpe.

The North America business registered revenue from the sale of finished dosage formulations of Rs.7,557 million which is about US$91 million for the 4th Quarter of FY'24 as against Rs.8,628 million which was Rs.105 million for the 4th Quarter of FY'23 and Rs.7,629 million, which is about Rs.91.6 million for the third quarter FY'24. This translates into a YoY decline of 12.4% and a QoQ decline of about 0.9%. The overall business remains challenging on account of lack of any meaningful product launches and delay in scale up of some recent launches.

In FY'24, Glenmark was granted final approval on three ANDAs, Saxagliptin Apremilast and Tacrolimus 0.03%. In the 4th Quarter, Glenmark launched Levocetirizine Dihydrochloride.

Glenmark also launched several products under the licensing agreements, including some of the injectable products as mentioned in the last call.

The Company filed six ANDAs with the FDA throughout the year, and two ANDAs in the 4th Quarter.

Glenmark also leveraged its strong capabilities in the respiratory area to build a portfolio for the US market. As mentioned in the Q3 call, Glenmark has filed two ANDAs for the generic nasal sprays and is awaiting approval for the same.

In addition, happy to report that the Company has filed the ANDA for generic gFlovent 44mcg PMDI in May 2024. Glenmark also plans to file another generic respiratory PMDI for the US in FY'25 and will continue filing momentum beyond that.

In terms of another updates, there's a change in leadership for the North America business; Marc T. Kikuchi will be joining the Company as President and Business Head, North America, effective 28th of May. Marc joins us from Dr. Reddy's Laboratories, where he was CEO of the North America business since 2019. Overall, he has more than three decades of experience across the pharmaceutical industry.

Moving on to Europe, Glenmark's Europe operations revenue for the 4th Quarter of FY'24 was Rs.6118 million as against Rs.6,118 million as against Rs.6,078 million in Q4 FY'23, recording a YoY growth of about 0.9%.

The European operations continued to remain strong in terms of overall business performance. The branded market has performed well. The growth in the 4th Quarter was impacted due to some softness in the tender markets. Key branded markets across the CEE such as Poland, Slovakia recorded double-digit growth.

The respiratory portfolio that we have launched in Europe continues to do well. So, key brands like RYALTRIS and SALMEX continue to sustain their 15%-plus market share across some of the markets, both in terms of value and volume. The Company is continuing to focus on

sustaining the increasing contribution from the branded markets in Europe. It is awaiting approval of four respiratory products which were filed in the 4th Quarter of FY'23 and we are also planning to launch WINLEVI which we licensed in this year in some markets of Europe starting FY'26.

Moving on to the ROW region, for the 4th Quarter of FY'24, revenue from the ROW region was Rs.7,528 million as against Rs.6,864 million for the corresponding quarter last year, recording a YoY growth of almost 10%.

As per the IQVIA data, Glenmark Russia business continues to perform well both in terms of Q4 as well as MAT March Data.

In terms of our key therapeutic areas, Glenmark continues to record strong growth and we are ranked 9th in the Dermatology market of Russia and in the Respiratory Expectorants market, we have grown in line with the overall market and continue to be ranked second as per the IQVIA MAT March Data.

RYALTRIS continues to gain market share in the allergic rhinitis market in Russia.

Latin America witnessed strong growth in Q4. Respiratory portfolio doing well. Glenmark Brazil achieved high single-digit growth in the covered market and the Company maintained its ranked amongst the top ten companies in the covered market of the Chronic Respiratory Segment.

Glenmark launched the First Generic Salmeterol + Fluticasone MDI in in Brazilian market in Q4 FY'24.

And across the other big market, Mexico secondary sales growth continued to be strong. RYALTRIS has been approved in Mexico and will be launched soon.

In Middle East and Africa region, Company achieved secondary sales growth in some of the key markets like Kenya, South Africa. RYALTRIS continues to be the leading nasal spray in the allergic rhinitis market for South Africa, and the product was launched in markets like Kenya and Saudi Arabia in FY'24. It is also expected to be launched in other key Middle Eastern markets such as the UAE in the forthcoming quarters.

The Asia region recorded slightly subdued growth in terms of secondary sales across its key markets due to some macroeconomic challenges in some countries. Top contributing brands across the key therapeutic areas have continued to do well and Glenmark has received some good approvals in the region, mainly in the dermatology, respiratory and oncology segment and RYALTRIS again continues to do well across the Asian region.

In terms of our endeavor to create global brands starting with RYALTRIS, as of March 2024, marketing applications for RYALTRIS have been submitted in more than 80 markets. Product has been commercialized in 34 markets.

Glenmark's commercial partner in the US, Hikma recorded substantial increase in the last quarter performance on a QoQ basis. This is backed by strong demand and increasing coverage across major pharmacy chains.

Menarini, Glenmark's partner in the EU witnessed steady increase in market share across markets,

Glenmark's partner in Mainland China, Grand Pharma has received acceptance of the NDA in February 2024. The Company expects approval to be received in. Sometime in FY'26. And in the MDA, we have provided the market share across the top 15-markets in terms of IQVIA December 2023 Data.

Moving on to Envafolimab, in Jan 2024, Glenmark announced the signing of the license agreement with Jiangsu Alphambab Biopharmaceuticals and 3D Medicines, Beijing for Envafolimab for India and ROW markets. Envafolimab under the brand name ENWEIDA has been approved in China by the Chinese NMPA in November 2021, as the global-first subcutaneous injection PD-L1 inhibitor for the treatment of adult patients with previously treated MSI-H or Deficient MMR advanced solid tumors. 30,000 patients have already benefited from this innovative treatment in China, where it has officially been included in the list of breakthrough medicines. Envafolimab is also being currently developed in the USA by Tracon Pharma in a pivotal trial in soft tissue sarcoma subtypes, including some specific subtypes, and Glenmark plans to file Envafolimab in more than 30 markets in FY'25. And the first market launch is expected in FY'26.

Lastly, WINLEVI in Q2 of FY'24 Glenmark and Cosmo Pharmaceuticals announced the signing of signing of distribution and license agreements for WINLEVI, which is Clascoterone cream 1% in 15 European markets as well as the UK and South Africa. Glenmark plans to launch WINLEVI in its licensed markets starting FY'26.

Glenmark Life Sciences in September 2023, Glenmark had announced that it had entered into a definitive agreement with Nirma Limited to diverse 75% stake in its subsidiary Glenmark Life Sciences. Subject to closing adjustments, the consideration was Rs.56,515 million. In March 2024, the Company completed the closing formalities of the divestment and Glenmark continues to now own 7.84% in GLS after the divestment.

Ichnos Glenmark Innovation, the Company had recently announced the launch of their alliance with its subsidiary, Ichnos Sciences, called Ichnos Glenmark Innovation or IGI to accelerate new drug discovery in cancer. This combined Glenmark's R&D proficiency in small molecules with

those of Ichnos in novel biologics to continue to develop cutting edge therapy solutions for hematological malignancies and solid tumors.

Going forward, all of Glenmark's group's investments on innovative assets will be channelized through IGI. Idea is to in autoimmune acids that have been outlicensed to leading companies. And apart from that, we have a robust pipeline of three innovative oncology molecules, targeting multiple myeloma and acute myeloid leukemia and solid tumors. These are all undergoing clinical trials. We have some further updates on the IGI pipeline on the website.

In terms of our key objectives for FY'25, consolidated revenue target is Rs.1,35,000 to 1,40,000 million. R&D investment for FY'25 is targeted to be around 7-7.25% of the total revenue. EBITDA margin target is close to 19% for full year FY'25.

Consolidated capital investment would be Rs.7,000 million for FY'25 and we are targeting double-digit PAT margin for the full year FY'25.

Some notes to the results before we open the. Q&A. Other income primarily includes the mark-to-market value of 7.84% stake in GLS. Exceptional item in the consolidated and the full year result is a loss of Rs.446.78 crores and a loss of Rs.900.95 crores on account of a few items which are listed in the P&L, R&D expenditure in Q4 FY'24 was around 265 crores. Consolidated total asset addition in the quarter was Rs.280 crores, of which tangible was around 159 crores and intangible asset addition was about 121 crores. Gross debt for the period ended March 31st, 2024 was at Rs.990.6 crores and net cash for the period ended March 31st, 2024 was at Rs.667.7 crores. In terms of our working capital, at the end of March '24, inventory was at Rs.2,513 crores. Receivables was at Rs.1,858 crores and payables was at Rs.2,535 crores.

We have the management of Glenmark pharmaceuticals on the call today, Mr. Glenn Saldanha – Chairman and Managing Director. Mr. V. S. Mani – Executive Director and Global Chief Financial Officer, and Mr. Ashish Mukkirwar – Group Vice President and Head of Strategy.

The Management will be presenting its long-term vision and outlook during the upcoming Investor Day. So, today's call will be more focused on the Q4 Results.

With that, we can open the floor for Q&A.

Moderator: Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Saion Mukherjee from Nomura. Please go ahead.

Saion Mukherjee: So, my first question would be on the exceptional items that you have. So, firstly on this write-off that we had for Rs.2,180 crores, if you can give some color what is this related to?

V. S. Mani: So, you're talking about this write-off that we have given in our notes for the US, right?

Saion Mukherjee: Yes.

V. S. Mani: So, one was the impairment of assets in Monroe and the balance was basically the working capital rationalization that we did in terms of some provisioning for rebates, etc., and also inventory write-down.

Saion Mukherjee: So, this is mainly working capital and -

V. S. Mani: No, it's mainly impairment of assets in Monroe. As you knew that we had three lines there, right; we had the nebulizer, we had the oral solids and lastly, we had the injectable. So, now we decided we are working only on the injectables as we have given also in the note and the other two lines we wrote down. That is the major one or more than 50% of that, the balance is basically on inventory write-down and some rationalization of provisioning, etc.,

Saion Mukherjee: But sir, this number is $263 million. If I recollect the total CAPEX that Monroe was at a lower number, right, this appears much higher.

V. S. Mani: So, about almost 127 million is basically the Monroe part of it what assets that we wrote off, the balance about 130 million is basically inventory and provisioning both of them put together under bids.

Saion Mukherjee: And sir, I also notice that the receivable number has come down significantly by almost 1,800 crores. So, is that part of this write-off and then we should see this number higher going in the next quarter?

V. S. Mani: So, as you know, in the balance sheet, there is a reduction of almost 1,800 crores. So, there is a cash flow impact also, almost about 970 crores. So, basically this is on account of two reasons, Saion. One is obviously as you know third quarter also we did some work on the India piece which gave us some benefit. So, that would be closer to 600-plus crores. Obviously, there are two more reasons, like in this quarter there was not so much growth, but going forward we expected to be about 3,400 to 3,500 per quarter sales. So, automatically debtors would go up and therefore you would see it stabilized by about 10-12 days more, it could stabilize by about 70-72 days in the medium-term.

Saion Mukherjee: The other one is intangible, which is $133 million. Again, if you can talk about what led to this intangible number, write-off, what is the -?

V. S. Mani: Just to give a little color, as we went about this GLS transaction, we decided to have a good look at some of our businesses across especially the key ones. So one, I just spoke to you earlier about the US piece. The second was obviously intangible that we have. So, over the years we have been in-licensing products, etc., So, obviously we felt some of those which probably are not looking that good. So, we decided that will impair them. So, those are the reasons. We used to

have a book almost of 2,000 plus crores of intangibles. We reduced by about 133 million. These are all non-cash write-off.

Saion Mukherjee: This gross margins is very high in the 4th Quarter, so material cost to sales I see is around 32%-odd. What's the steady sustainable number we should see on a gross margin going forward?

V. S. Mani: On going forward, it should be around by these levels give and take plus/minus 1%, Saion, because obviously this quarter we had the benefit of India being a little higher. But in the coming year also, if I look at it with RYALTRIS is expected to sort of grow substantially or almost double up from where we are, it should automatically help us to do better.

Saion Mukherjee: So, there is no one-off in this number?

V. S. Mani: See, mix also keeps changing, no, sometimes the sales mix also changes, but on a broad basis, we will be very close to these numbers, as I said, give and take plus/minus 1%.

Moderator: The next question is from the line of Gaurang Sakare from HSBC. Please go ahead.

Gaurang Sakare: I had a couple of questions. Firstly is on Monroe. What is the status update from US FDA? When can we expect reinspection and how is our remediation going?

Glenn Saldanha: So, on Monroe, we are pretty much done with all the remediation, right, and we're requesting FDA for a meeting and a possible inspection. So, we are hoping that in the first quarter they will come in the next couple of months I am guessing. So, all of these we are now taking batches of product and some exhibit batches for the rest of the year.

Gaurang Sakare: And second one, actually, at the start I missed the comment on this other income being higher. So, can you please repeat what you said?

V. S. Mani: So, we still continue to have a 7.84% stake in Glenmark Life Sciences. The mark-to-market of that was almost 750 crores.

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

Kunal Randeria: Sir, I just want to reconcile this net cash number. So, H1 you are on 3,300 crores and today you are on 700 crores net cash. From the cash flow statement, it seems that you've got around 5,450 crores and then there was some tax of 900 crores. But your working capital also was 1,600-odd crores and incremented CAPEX is 500 crores. So, I am just wondering, I would have thought maybe the net cash now would have been slightly higher. If you? Can just run us through how you arrive with this number?

V. S. Mani: Sure. I will try to be as helpful as possible. So, obviously we got about 5,450 net of the transaction cost. The tax is about 17.5%. So, we get about 4,500 crores, you're right. At the end

of December, we had about 3,960 plus as you can see now our cash has also increased by 500 crores. That kind of balances each other. On the other side, if you look at my business, we had an EBITDA of almost 1,195 crores and we had a cash interest of about 517 crores. The cash tax there is less because most of the taxes this year were for this. So, if you take 80, 90 crores tax also, still we get about 580 crores or so. But if you take the other side, there is assets acquired, there is dividend, there are some other exceptional items in terms of the litigation and remediation cost what you have there. But the big piece is the litigation that we paid on the Zetia piece, almost 498 crores. I think that could probably be the difference that you're looking for.

Kunal Randeria: But is my understanding wrong that you're working to also improve around 1,500 crores, sir?

V. S. Mani: As you can see even in my cash flow statement, improved by about a little less than 800 crores, 796 crores.

Kunal Randeria: I am just looking at H1 numbers your receivables and inventories was around 800-odd crores higher than what you have given in the presentation now. So, now your inventory is around 1,200 crores, it was around 3,300 crores if I am not wrong.

V. S. Mani: No, I will explain to you that in the receivable piece, as we explained in the previous question, there is a write-down of almost Rs.837 crores. So, that's the piece. There's some rebate provisioning across most geographies, especially the US. So, that could be a difference.

Kunal Randeria: Secondly, on generic Flovent so since you have filed it, I am just wondering when do we expect approval and what is future in the years because I believe GSK had discontinued the product and now there is only AG in the market. So, your thoughts on this product?

Glenn Saldanha: We believe that we are the first filer on this product. I mean it's launch on approval basically, right? And since we filed now, so sometime next year, we are hoping we can launch the product in FY'26, right. It's a big product, about $400-plus million in sales, just this one SKU as per IQVIA and we're working on the subsequent SKUs, right, which is the 110 and 220 crores. So, I think collectively it's a $1.6 billion drug with just the AG out there. GSK has launched an AG, right?

Kunal Randeria: Lastly, is on RYALTRIS. See, in a lot of markets you have reached double-digit share. So, I am wondering now from FY'24 to let's say FY'26, which are the markets where you expect the growth from?

Glenn Saldanha: We have just started the launch phase of RYALTRIS. So, RYALTRIS we think I mean our peak sales now will look more like $200 million to $300 million over the next three to five years. And if you look at the markets, we have just started launching as Utkarsh mentioned, Mexico, we just got approvals, so we're launching. There are some very big markets where we still don't have a presence, right. Mexico is one. Brazil, we are hoping to get approval either this year or next

year. So, FY'25 or '26, then of course China, which will be a big launch for us, right, starting FY'26. So, there are a host of markets where we still don't have the product itself and among the markets where we have the product, right, the uptick is rampant, right? So, first three years you will see very substantial growth, right, almost 80%, 100%, right, till the brand gets established. Post three years it will start slowing down, right? So, I mean we are in that phase right now where sales are doubling basically. So, this year we anticipate RYALTRIS will be over $80 million in sales. We are in that launch phase right now. Also, we are expecting better performance from the US market from our partners, Hikma this year and next year. That will further help the brand grow substantially.

Ashish Mukkirwar: Kunal, just to add, even if you take the top markets, right, I mean we have about 15%-plus in only three markets as of now. So, even in the markets where we have launched, there is still significant scope for us to expand and obviously this is also a value or a factor of when the product has been launched. As Glenn mentioned, some of the launches have happened more recently. So, the market share uptick will be visible in the next few quarters.

Kunal Randeria: And you still expect the emerging markets to be a key growth driver, right?

Glenn Saldanha: I think we're seeing growth across markets, not just emerging markets. Europe is doing exceedingly well, right, for RYALTRIS. The US, we still have some ground to cover, right, as I mentioned. But Europe, emerging markets, it's a big product.

Kunal Randeria: This 700 crores of CAPEX for next year, if you can just outline your plans on how it will be spent?

V. S. Mani: So, basically this 700 crores CAPEX, obviously till last year we had GLS also in the CAPEX, going forward, it will not be there but on a on and off we obviously required to invest in additional lines as you know business is growing well also, and we see some lines for that. And also we are looking at sometimes in-licensing some good products. While we may not do a big bang M&A, but we will do definitely in-licensed products as and we require. You already seen us in the last year. So, I think we will add to it.

Kunal Randeria: Sorry, just to push you on this, because I would have believed that with the US not doing very well at this point in time, your capacity might not be optimum fully utilized. So, just wondering why you would need so much CAPEX?

Glenn Saldanha: So, I think, I mean, we're seeing substantial growth across the business, right? I mean, every year we are adding a substantial amount, right? And FY'26 will be a big year for the Company. That's what we believe, right, in terms of overall top line growth. So, in order to plan for FY'26, right, we are putting up the CAPEX this year, right? So, we're adding additional lines across our portfolios, for example, RYALTRIS and multiple other areas. Now with generic Flovent band

coming in, so I think there's a significant amount of front ending CAPEX required this year to get to the FY'26 performance, right?

Moderator: The next question is from the line of GVK Choudhary from PD Investments. Please go ahead.

GVK Choudhary: My question is about the legal settlements in US. What is the further payment required for the two settlements that you have already entered and what would be the liability on that account?

V. S. Mani: Obviously, for these two, we have to pay about 30 million for the criminal one and 25 million for the civil one and in the next coming year we have to pay about 300 crores. Some payments are still due of the Zetia that was there. Most of it was paid last year but some are still there. Plus, as you know, we pay these settlements over the five years. So, the year after that it will be lower.

GVK Choudhary: So, next year, FY'25, the liability is to be about 700 crores?

V. S. Mani: Liabilities will not be there, sir. Liabilities are all already taken. I am saying the payouts in terms of cash.

GVK Choudhary: I am asking you whether it has been provisioned?

V. S. Mani: It is already provisioned, sir, like Zetia and there will be no impact on the P&L.

Ashish Mukkirwar: The cash outflow will be about 300 crores in FY'25.

GVK Choudhary: Monroe, is there any possibility of you being able to use the facility at all in future, other than injectables?

Glenn Saldanha: No, the other two lines we have already embed. So, it's basically the injectables that we will commercialize. We are hoping to start this year, right, commercialization of the products.

GVK Choudhary: Is there any possibility of you being able to dispose those two lines to someone else?

V. S. Mani: It's basically we're impairing it. So, we can't use it much. So, that will be more of scrap.

Moderator: The next question is from the line of Aditya Thakur from 5G Capital. Please go ahead.

Aditya Thakur: As you told FY'26 will be a better year for Glenmark Pharmaceuticals. You have already given guidance for FY'25. If you could do the same for FY'26 like any ballpark guidance for in terms of sales and profitability?

Glenn Saldanha: I think it's too early to guide on FY'26. I think at our Investor Day, which is coming up later this week, we will provide a much more longer-term horizon on the business. So, that should give

you a clear idea of where the business is going. At this point, specifically FY'26, we wouldn't guide, it's too early.

Moderator: The next question is on the line of Krish Mehta from Enam Holdings. Please go ahead.

Krish Mehta: So, I just wanted to ask that around two years ago, we had kind of guided that Ichnos R&D and cash spend would be nil. So, on that basis and that backdrop, could you please tell us for FY'25 Ichnos cash R&D spend will be from Glenmark?

Glenn Saldanha: So, the IGI spend in '25 will be about 50 million. We have bought it down substantially, right, over the years, and now this year will be about 50 million and I think going forward, we will make sure it stays at 50 million or comes even further below that.

Moderator: The next question is on the line of Vikas Sharda from NTAsset Management. Please go ahead.

Vikas Sharda: Two questions. With receivables is down sharply this quarter, could you explain I mean is it because of the provisions for rebates that you have made or how should one look at it? And also what is the nature of this provision that we made, I mean what was the need of making this provision and how should one look at that?

V. S. Mani: I explained earlier but I will do again. So, obviously the reduction in the receivable is on account of two reasons. One is obviously there was a better cash flow as we explained earlier. In Q3, we had sort of brought down our inventory in the channel. So, that added to reducing the receivable by about 600-odd crores. Besides the growth in this quarter was a little less. Therefore, obviously the cash flow was a little better on that count also. Now going forward, the way to look at it is that if we are going to have a sale of almost 3,500 crores, if we add 500 crores more, obviously debtors will go up; so that should go up by 10-12 days. And your second question on the provisioning, obviously, you have to provision for various deductions, including rebates, etc., So, as we said earlier, after we did the GLS, we looked at across all the businesses and we saw that we could sort of looked at the provisioning and therefore we saw that it could be increased. So, that's the reason why we did that and that's the reason why it looks lower.

Vikas Sharda: So, this like 1,100 plus crores of reduction in the debtors, so 600 crores is because of India and what would be the remaining 500 crores for?

V. S. Mani: No, I will put it this way. Almost 900 plus crores is cash flow, about 800 crores is basically the provisioning increased. You saw the debtors have come down by almost 1,800 crores, right? I am giving you a breakup of that.

Ashish Mukkirwar: Year-on-year basically.

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

Saion Mukherjee: Just one. This 300-odd crores of exceptional that you have, which includes the remediation cost and UG settlement, can you just give a broad break up for this quarter of this 300-odd crores?

V. S. Mani: In this quarter, there is not much remediation. Till last quarter altogether for the full year, we had about 98 crores, is about 30-plus crores in US and almost 70 crores in India. And as far as the settlement is concerned, that's a separate line item, almost 60 million of that. Besides that, we obviously had to spend something on extra on the litigation cost that came to less than 200 crores. We have to pay for all the legal bills.

Saion Mukherjee: So, I was just looking at this 300 crores for the quarter. So, you're saying there is not much remediation there in that 300 crores.

V. S. Mani: No, there's not much remediation in this quarter. It is more of the bills for the legal settlement, mainly that's one of the key reasons.

Saion Mukherjee: The legal settlement is $30 million, right, sir?

V. S. Mani: Yes, 25 million in this quarter, civil.

Moderator: The next question is on the line of Vivek Tulsiyan from Newmark Capital. Please go ahead.

Vivek Tulsiyan: My question is to Mani sir. What I was asking was, if you look at the exceptional item, there's a loss of about 447 crores. Could you take us through the bridge from the income that we would have made from sale of GLS to how do we get to 447 crores of loss?

V. S. Mani: So, the sale of GLS was about 5,500 crores. Obviously, there was the GLS reserves which are there, this is clear accounting, so about 2,200 crores. And apart from that, as we have provisioned for DoJ the civil part of it this time and then there were exceptional legal fees and remediation cost… remediation is not much in this quarter, about 60 crores only and then impairment of assets, which I already explained to you in Monroe about 1,052 crores, we also spoke of working capital rationalization, we also said about Europe intangible impairment of 1,100 crores. Broadly, these are the breakups to reach to 445 crores.

Vivek Tulsiyan: So, on the standalone, there is an exceptional gain of 5,000, but on the consol the number might be lower, is that the way to -?

V. S. Mani: Exactly because most of the write-downs are outside.

Vivek Tulsiyan: The second question is on R&D. So, our R&D target for FY'25 is about 7%, 7.5% on our guidance of 13,500 crores of revenue. If I do the math, that's about 1,000-odd crores, which is not very different from the amount we spent in FY'24. So, is that the steady state R&D going forward?

Glenn Saldanha: I mean clearly the generic R&D spend is going up and IGI is coming down, right? So, you're right. Going forward, we will have a similar run rate on R&D. As a percent, you should take the R&D spend going forward also around 7%-odd in that ballpark in subsequent years.

Vivek Tulsiyan: And just one final question is on Monroe. So, like you mentioned, we have taken a little bit of impairment of our assets. So, what is the remaining value of the assets at Monroe now?

V. S. Mani: Yes, it's about $150 million still, that is the injectables and the utilities.

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

Utsav Jaipuria: Just a couple of questions from my side. Firstly, on this working capital bit, you've said that receivables are expected to increase by 10-12 days. So, can you give like a similar guidance for the inventory and payables?

V. S. Mani: Inventory means marginally go up, but to that extent you will make up with your creditors, okay. So, I am just saying overall, if I take the net working capital, it should be about 70 to 75 days.

Utsav Jaipuria: And secondly is on the tax rate. So, from next year onwards, what kind of ETR and also cash taxes we can expect?

V. S. Mani: So, the ETR would be roughly around 25% to 27% and the cash tax would be very close to that only.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over the Mr. Utkarsh Gandhi for his closing comments.

Utkarsh Gandhi: Before we end the call, we will just read out the disclaimers. The discussion during this call, including information, statements and analysis describing the Company or its affiliates, objectives, projections and estimates are forward-looking statements. These are based on current expectations, forecasts and assumptions, and are subject to risks and uncertainties, which could cause the actual outcome to differ. So, the discussion should not be regarded by recipients as a substitute for their own judgements and the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of any 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.