"Cipla Limited

Q1 & FY27 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to Cipla Limited Q1 and FY27 Earnings Conference Call. We have with us today Mr. Achin Gupta, MD and Global CEO; Mr. Ashish Adukia, Global CFO; Ms. Diksha Maheshwari, Head of Investor Relations.

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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Diksha Maheshwari Head of Investor Relations. Thank you, and over to you, ma'am.

Diksha Maheshwari: Thank you, Danish. Good afternoon, and a very warm welcome to Cipla's Q1 FY27 Earnings Call. I'm Diksha Maheshwari from the Investor Relations team at Cipla. Let me draw your attention to the fact that on this call, our discussion will include certain forward-looking statements, which are predictions, projections or other estimates about future events. These estimates reflect our 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 statements, whether as a result of new confirmations, future events or otherwise. I hope you have received the investor presentation that we have posted on our website.

I would like to request Achin to take over.

Achin Gupta: Thank you, Diksha. Good afternoon to all of you, and we appreciate you joining for our Q1 FY27 earnings call. I'm delighted to share that we have delivered the highest ever Q1 revenue with revenues of INR7,100 crores in this Q1. Achieving a record first quarter provides a strong start to the year. It reinforces the resilience of our business fundamentals, the diversified nature of our business, and it strengthens our confidence in sustaining long-term growth.

Coming to the business-wise performance. Our One India business achieved its highest ever quarterly revenue with 12% Y-o-Y growth, reflecting a strong performance across key therapies and underscoring the strength of our franchise in the IPM.

Within this, the branded prescription business continued to witness strong momentum across chronic portfolio, delivering a market-leading growth of 15.4% during the quarter as per IQVIA data.

Key therapies registered strong double-digit growth. Respiratory grew at 15%; Anti-diabetes; 43%; Cardiac 20%; and Urology at double-digit as per the IQVIA data for the quarter ended June 26. This performance was driven by a strong volume expansion, sustained brand strength, focused field execution and continued momentum from new product launches.

Our overall chronic mix strengthened this quarter to 60.4% Y-o-Y. We added 2 new brands to the INR100-plus crores club, taking our total to 33. And our presence in the IPM top 300 brands remains strong with 23 brands, reinforcing the depth and resilience of our portfolio.

Foracort, which is our flagship inhalation brand, continued to strengthen its leadership position as the number 1 respiratory brand in the IPM while sustaining its status as INR1,000-plus crores franchise.

Cipla continues to be the largest pharma company in terms of volume and the only player with 2 billion-plus unit sales in IPM as per IQVIA MAT June '26. Our new launch momentum also remains strong with a number of targeted introductions across key chronic specialty and wellness segments.

In respiratory, we strengthened our portfolio with Duolin Synchrobreathe, a breath-actuated inhalation platform designed to enhance ease of use and adherence, and Bilafav M for the management of allergic rhinitis and associated symptoms.

In the obesity segment, following our entry into the segment through our collaboration with Eli Lilly for Yurpeak in the previous quarter, the brand has continued to witness encouraging traction and delivered a strong performance during the quarter.

In immunology, we launched UPADACIP, significantly strengthening our presence in chronic inflammatory and autoimmune disorders and enhancing our ability to address patient needs in a rapidly evolving specialty segment. Additionally, Byefilm, which is our nasal hygiene range, broadened our supportive care and wellness portfolio.

Collectively, these launches reinforce our commitment to addressing evolving patient needs and deepen our presence in high opportunity chronic therapy areas and further strengthen the breadth and competitiveness of our portfolio.

On the trade generic side, our business delivered a healthy growth during the quarter on the back of vigorous execution in distribution and new product launches. Expanding our portfolio remains a key growth driver with 3 new launches this quarter, addressing specific patient needs.

Our Consumer Health business continued its upward trajectory with Nicotex, Omnigel and Cipladine consolidating their respective number 1 positions in the segment. The business is driving healthy secondary growth and actively exploring opportunities to invest in products and channels to further expand our distribution.

Operating profitability improved during the quarter, reflecting the strength and scalability of the consumer health. In North America, we delivered quarterly revenue of 162 million. Cipla continues to hold the number 1 position in the overall U.S. Albuterol MDI market this quarter with our market share standing at 21% as per IQVIA data for the week ending June 2026.

One key highlight for the quarter was the successful launch of generic Ventolin in the U.S. following regulatory approval, which was received last quarter. We have commenced commercial shipments with volumes expected to increase as the supply scales up. During the quarter, we further strengthened our portfolio with the launch of Nintedanib and Dapagliflozin in addition to some of the more recent launches like Liraglutide, which is expanding our presence in high-growth therapy areas and advancing the execution on our pipeline.

Looking ahead, we expect North America business to continue its sequential growth trajectory during the year supported by the upcoming product launches and continued commercial execution. More details on the U.S. pipeline. As we mentioned earlier, our pipeline for the remainder of the year includes 4 significant launches comprising 3 respiratory assets, including generic Advair and the key peptide opportunity as well.

Two of these 3 respiratory assets have been filed from our U.S. manufacturing facilities, while the third has been filed from our Goa facility. These launches are expected to strengthen our portfolio, enhance our respiratory leadership, and also help us support a sustainable long-term growth in the North America business.

Coming to South Africa. In the private market, we achieved strong secondary growth of 6.5%, outperforming the overall market growth of 5.7% as per IQVIA MAT data. The business continued to strengthen its position through solid performance in key therapies and successful new launches, reinforcing our presence across diverse markets.

In EMEU, we continued the growth trajectory with a 5% Y-o-Y growth in USD terms. This was fueled by execution across both DTM and B2B segments and our continued focus on deep market penetration has laid a strong foundation for sustained growth. Notably, we maintained margin stability while effectively leveraging internal pipeline assets, demonstrating the strength and agility of our operating model.

Finally, on the regulatory front, during the quarter, U.S. FDA completed a routine GMP inspection and PAI at our Verna, Goa facility. And subsequently, it was classified as VAI. And during this month, the U.S. FDA concluded a routine GMP inspection at Invagen facility in New York, which included with one Form 483 observation, which we are committed to addressing within the stipulated time line. We are also expecting the reinspection of our Indore facility to take place anytime soon.

Now I would like to invite Ashish to present the financial and operational performance.

Ashish Adukia: Thank you, Achin. So, I would like to now present the key financial highlights for the quarter. We reported a quarterly revenue of INR7,119 crores with a 2% growth Y-o-Y. There has been change in the presentation of the financials, which I would like to highlight.

Effective this quarter, beginning 1st April 2026, the company presents certain marketing and proportional expenditures as a reduction from the revenue instead of operating expenditure. The same has been highlighted in the note to the consolidated financial statements. You may refer to Note number 9.

The EBITDA margin, excluding the other income, stood at 16.7% for the quarter. As for practice, the EBITDA margin does not include the other income. The reported gross margin after material cost stood at 62.5%. It's incorporating the impact of the product mix, certain war-related costs, some inventory-related charges and phasing of certain incentives.

The total expense for the quarter stood at INR3,260 crores, reflecting an 8.3% increase over the previous quarter. This increase reflects our planned investment in upcoming product launches and enhancement of manufacturing readiness.

We remain focused on innovation and future readiness. R&D investments for the quarter were INR486 crores or 6.8% of revenue, directed largely towards the product filing and key development programs.

Profit after tax for the quarter stood at INR789 crores, representing 11% of sales and ETR for the quarter stood at 27%. Our free cash flow generation and operating efficiency continue to drive the healthy net cash position. As of 30 June, 2026, the debt on our balance sheet, including lease liabilities, stood at INR600 crores with net cash equivalent balance at INR9,494 crores, and this was after the dividend payment that we made this quarter of INR1,050 crores.

Looking ahead, our key priorities will include, for One India, the aim is to focus on execution to sustain the growth momentum and outperform the market in branded generic, trade generic, as well as consumer wellness. We will further strengthen our presence in chronic therapies, while maintaining the robust trajectory we have built in respiratory.

In North America, we'll remain focused on driving growth through new product introductions, including the key launches highlighted by Achin. In South Africa, our focus will be on continuing to grow faster than the market in the private sector. In EMEU, the top priority is to drive top-line growth while maintaining a strong margin trajectory.

Lastly, before I hand over to the Q&A, as I transition into a new role, I would like to thank all of you for asking prospective questions over the last four years. I would also like to welcome Dinesh Jain as the new Global CFO. He's been with the company for almost 30 years plus, and he's sitting right next to me to take any questions or anything.

So over to the moderator now for Q&A. Thank you.

Moderator: Thank you so much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. Our first question comes from the line of Saion Mukharji with Nomura.

Saion Mukharji: Yes. Thank you for taking my question. Can you talk about the accounting change that you mentioned, how has that impacted your growth rates? If you can quantify for the branded markets, particularly India and South Africa?

Ashish Adukia: Sure. So, see, I think if you go through the note, Saion, you'll find the numbers mentioned out there for the previous Y-o-Y quarter as well. So, you'll be able to calculate the growth and the growth would be somewhere around 4% if you just adjust for the previous year number as well.

Saion Mukharji: Yes. That's right, Ashish. I mean, so you reported 2%, adjusted is 4%. I would assume the change would have impacted mostly the branded market. So, I just wanted to understand, 12% growth in India and minus 5% that you reported in rupee terms in South Africa. Is there an adjusted number for these two markets at least?

Ashish Adukia: Sure. So, without breaking it down into the markets, there are primarily two-only. But largely, it's on account of adjustment in South Africa.

Saion Mukharji: Okay. So, On India, the business has delivered 12% growth. In this quarter, you had tirzepatide plus the Pfizer brand distribution and one small acquisition. So, excluding these, do you think -- well, can you just tell what the growth rate is overall in India?

Achin Gupta: Saion, Achin here. On India, if you see the IQVIA data, we were at 15.4% on the Rx part of it. And within that, as per IQVIA, approximately INR80 crores was from Yurpeak, right. So, the balance is – so, I think that's what approximately, 1.5% is attributable there.

The rest is on account of the business, some of it was licensed products, but good, healthy growth rate on all the rest of the base portfolio as well that we've been now seeing for three quarters. So, there's a momentum that's building up in terms of steadily delivering double-digit growth.

Saion Mukharji: Okay. Because based on the disclosures that you made, I'm arriving at somewhere in that range of 7% to 8% year-on-year growth. Is that a wrong assessment, do you think?

Achin Gupta: See, we've not broken down each of the three verticals, but I think IQVIA will give you a very more or less a detailed perspective. Also, some of the ILD becomes base over a period of time, right. So, that's part of our strategy. We keep the ILD within a certain percentage. It's not very high, but it's between 10% to 15% of our total business.

Saion Mukharji: Okay. My other question is on South Africa. So, see, I mean, even if I -- because the currency has also been quite favorable, it's almost 23% on a year-on-year basis. Even if I were to, sort of, ascribe all that accounting change to South Africa, I just get 13% growth. So, in constant currency, it seems your private market, as well as tender has declined on a year-on-year basis. Is there something happening there, if you can throw some light that we need to be aware of?

Ashish Adukia: So, see, I think tender business has indeed declined for us. So that is one of the impact that is there. And on the private market, there has been a growth. And there is, of course, currency impact as well, which we had hedged. So, I think it's a multitude of impact that is sitting out there in South Africa.

But private market has grown faster than the market out there. As I had highlighted in the speech as well, that we achieved almost 6.5% growth in the market in the secondaries outpacing the market growth of 5.7%.

Saion Mukharji: Yes, that's why I think in the secondary, it's visible, but on the reported number, it isn't. So that's what I was wondering?

Achin Gupta: Yes. The tender component is lesser, that is right.

Saion Mukharji: Okay. Thank you. And I'll join back. Thanks.

Moderator: Thank you. Our next question comes from the line of Parth Sodha with Trinetra Asset Managers. Please go ahead.

Parth Sodha: Hello?

Moderator: Yes, Parth. You may please proceed.

Parth Sodha: Good evening and…

Moderator: Parth, I'm sorry to interrupt you, but your voice is breaking. Parth, you may please rejoin the queue. Your voice is breaking, so you can rejoin the queue. Our next question comes from the line of Surya Narayan Patra with PhillipCapital. Please go ahead. Surya, you may please proceed with the question.

Surya Narayan Patra: Hello?

Moderator: Surya has left the queue. Our next question comes from the line of Damayanti Kerai with HSBC Bank. Please go ahead.

Damayanti Kerai: Hi. Thank you for the opportunity. So, I just want to hear some update on the awaited launch for the U.S. market. So, you mentioned we are going to have three more assets on the respiratory side, including Advair and one peptide asset.

If I remember correctly, last call, when we had discussion on the upcoming launches, you mentioned you were anticipating four peptide products. So, has there been any change on that part? Yes, and I think if that's the case, do you still maintain your $1 billion exit run rate for U.S. segment for FY27?

Achin Gupta: So, we are seeing three respiratory launches, which are significant in addition to the Ventolin approval that we've got and one peptide, which is large, right. There are others, which we've already launched like Liraglutide, we launched both the variants. That's doing well for us.

So, there are other peptides and other products, which are in the approval queue, but we've been highlighting the three respi and the one peptide, which are more significant of the backlog. So, yes, and that is the approval of these will give us a line of sight towards that $1 billion exit rate.

Damayanti Kerai: Okay. So, you started the year with $162 million sales. But in the consequent quarter, do you think we -- you can cover up enough to reach that $1 billion exit rate, that remains unchanged?

Achin Gupta: Yes. I think, the way to look at it is growth from new products, because the base is not large enough to provide that kind of delta. But the new products are pretty large. So, basis the successful approval and launch of these and the scale-up of Ventolin in the coming quarters, we will be able to get that visibility.

Damayanti Kerai: Sure. And similarly, if you can comment on your earlier guidance for the EBITDA margins of 18.5% to 20% for FY27. Any change there, or it, again, remains broadly unchanged?

Ashish Adukia: Yes. So, broadly unchanged, Damayanti.

Damayanti Kerai: Okay. And my last question is the recent inspection of the New York facility. Will that be anyway tied to any of the upcoming launches for the US? So, you just got one observation. But, nonetheless, if there is some delay in clearing that observation, will that hold up any of the upcoming launches?

Achin Gupta: Only the smaller ones. That unit does solid oral. So those are not the biggest launches, not part of the three respi that we spoke about. Those have already been inspected.

Damayanti Kerai: Okay, great. Thanks. I'll get back in the queue.

Moderator: Thank you. Our next question comes from the line of Vishal Manchanda with Systematix. Please go ahead.

Vishal Manchanda: Yes. Thanks for the opportunity. On your gross margins, you highlighted certain inventory write-offs in your opening comments. So, can you talk about that? How much was that? And also quantify the impact of the inflation on the gross margins?

Ashish Adukia: Sure. So, I think when you meant inflation, you mean to say this whole war impact that we're talking about. So, I think overall, if you look at it as per current estimate, and it's very difficult to give a very firm guidance out there, because the things are evolving. But if you could assume about 1% to 2% of revenue in that kind of a range for the overall cost impact due to war.

In case of the other question that you had, the inventory charge, etc. So, we have that for various reasons, either it is close to expiry or if we have ordered, but the demand has not taken off, or if there is any quality issues, so then we charge off that inventory, which is very typical in pharma. So, there has been a little higher than a normalized that we budget for, and that is why I called it out that there is a one-time, kind of, an inventory charge that is there.

Vishal Manchanda: So, would this be 100 basis points, a lower number?

Ashish Adukia: I'm not quantifying this. So, this all sits as part of COGS and amongst other provisionings that we take. So, yes, I think that -- I call it out because it is slightly higher than the normal write-offs that we take.

Vishal Manchanda: Okay. And on the incentives, do you kind of put that as part of operating revenue, or you deduct it from the COGS?

Ashish Adukia: Yes. So, the PLI and our export incentives and other operating income, yes, export areas -- the areas incentive, sorry, Dinesh just corrected me there. So that area incentive is now over. So, it was sitting in the base and not now. And PLI, this year, we are accruing it as we achieve the sales of our PLI molecules. And that's why in this quarter, there is almost no PLI, but it will come in a phased manner into the later quarters.

Vishal Manchanda: Got it, got it. And just one on the U.S., Ventolin, when do we expect a full ramp-up there?

Achin Gupta: Yes. So that work is ongoing. We started supplying at the current scale, but I think that will go towards the end of the financial year.

Vishal Manchanda: Will there be a gradual ramp-up, or we'll kind of be steady for some time and then…?

Achin Gupta: It's a mix, because one would start manufacturing at higher scale, but then sell it when all the approvals are in place.

Vishal Manchanda: Okay. So more towards the end of this year, we'll see a ramp-up. Is that...?

Achin Gupta: Yes.

Vishal Manchanda: Got it. Thank you.

Moderator: Thank you. Our next question comes from the line of Bino Pathiparampil with Elara Capital. Please go ahead.

Bino Pathiparampil: Hi, good afternoon, all. Just a couple of follow-up questions. First one's on South Africa. I assume you replied to a question that the decline in revenue is because of loss of tenders. Just wanted to know is this the first quarter of loss of tenders. So, for the next three quarters, till this annualized, should we assume that there will be a dip in reported revenue because of this?

Ashish Adukia: See, I think, see, on tender, how you have to see it is that when we look at tenders. So, it needs to be accretive to our margins, then accordingly, we bid for these tenders. So, unfortunately, last year, we lost a tender, which has a supply plan that is impacting this year. So, in the coming quarters also, there will be that continuation of that impact that will come through.

So, Yes, you will see continuing impact of tender in South Africa. But private market like I said, including OTC, is growing faster than the market. Due to a lot of currency fluctuation, some of it is not getting reflected, but it's a smart growth out there in South Africa, private market.

Bino Pathiparampil: Got it. Just one follow-up on the U.S. as well. So, this quarter, you have reported about $160 million. Your exit target of $1 billion, which means $250 million a quarter or roughly $90 million more per quarter. So, if I annualize it, you have to have products, which can give you $360 million a year. The current products, which you have mentioned, are you confident they can annualize to $360 million, which is much more than you made even in Revlimid?

Achin Gupta: Yes, these are all very sizable opportunities. So, I think that's how we are looking at the buildup. This assumes the competitive position that exists today. So, obviously, that is one assumption. From what we see today, we see large opportunity on this. And, yes, I think we don't expect that competitive position to change in the next nine months.

Bino Pathiparampil: Understood. Thank you.

Moderator: Thank you. Our next question comes from the line of Shashank Krishnakumar with Emkay Global Financial Services. Please go ahead.

Shashank Krishnakumar: Hi. Thanks for taking my question. My first one was on the consumer wellness growth in India. I think, you mentioned that the accounting treatment adjustment impact was largely in South Africa. But consumer wellness last year, 1Q, we were at INR470 crores. And this year, I think they are at around INR480 crores. So, growth there has also been a bit muted. So, are there any other factors, which have impacted growth in this quarter?

Ashish Adukia: See, I think the last quarter had a very good growth in the consumer business. So, I think the base itself was fairly strong. And that's why on a Y-o-Y basis, you'll see a growth, which is not as high as typically what you would see in CHL in consumer business.

Achin Gupta: Yes. I think there are two components to this, how we present the consumer. One is the consumer internationally, which is mostly in South Africa. And the piece that Ashish explained is the consumer in India. So, on the South Africa also there may be an impact of that presentation.

Ashish Adukia: Yes, yes, yes. So, in South Africa, there is impact of the presentation change that I talked about earlier. But adjusting for that, South Africa had a normal good growth in OTC.

Shashank Krishnakumar: Got it, sir. And secondly, can you just call out the growth in the trade generic business in India this quarter? Was it in double digits or…?

Ashish Adukia: No. So, we don't give the breakup of the three segments. Overall, India is at a 12% growth and trade generic is also fairly healthy.

Shashank Krishnakumar: Got it. And if I could just squeeze in one more. I think our InvaGen Unit 1 facility was inspected in Feb. And I think we had two observations. This was linked to Advair. So, have there been any follow-up queries post that inspection, or is your filing broadly there in terms of getting past the finishing line?

Achin Gupta: So, it is on track. On that kind of inspection, ultimately, you will see the approval, right? So, interim, there is not much to read into it. So, we are expecting approval to come on that, which should happen any time.

Shashank Krishnakumar: Got it, sir. Thank you and all the best.

Moderator: Thank you. Our next question comes from the line of Surya Narayan Patra with PhillipCapital. Please go ahead.

Moderator: Surya, I'm sorry, but again, your voice is breaking. If you are availing Bluetooth or headset, can you just remove that?

Surya Narayan Patra: Is it audible now?

Moderator: No, sir. I guess, you're not in the network, sir. We are not able to hear you.

Surya Narayan Patra: Okay. I'll come back then.

Moderator: Sure. Our next question comes from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Yes. Thank you for the opportunity. Just first one on the Yurpeak, you called out about INR80 crores in quarter one. Sir, how are we looking at that overall anti-obesity, kind of, a market?

There are confusing or divergent signals, especially from sema generics as well. So, what explains the strength, and how are you looking at like prescription behaviour? And what do you think is the prognosis from here on?

Achin Gupta: So, our bet has been fairly clear. We wanted to work with innovator product, which has dual mode of action to receptors. So, we've invested behind tirzepatide. Our understanding is that this is a high involvement therapy. It's not just a straightforward sale. If prescriber need to have a lot of connect guidance and the condition needs to be managed properly for the right outcomes, right.

So, we are following that, plus we're expanding the distribution reach, and there's a lot of work that is happening to get the right benefits for the patients, right, and that is helping us grow. So, we have reached number two in the whole category. So after Mounjaro, in IQVIA, Yurpeak is the second largest brand.

Generic is a different piece, because generics -- this is not only a price-driven market, right, ultimately, the -- for that matter, for any therapy, the patient cares more about outcomes. So, there is crowding also in that market. There may have been other issues. But for us, we see these different segments coexist, and we see good opportunity for us to keep growing as more patients get into the fold, and also the comfort builds up in terms of prescriber and their ability to see, which patients are eligible and how do they manage their conditions. So, we are seeing a progressive growth despite all generics, and we are expecting that to continue on the same growth trend.

Shyam Srinivasan: Sir, just data point, how was Q4 for the INR80 crores? Any direction there?

Achin Gupta: It has been growing month-on-month. So, it was quite small on IQVIA reflections in Q4 of last year. How much was it? Yes, it has been growing.

Shyam Srinivasan: Got it, got it. Sir, second question is on your cash pile, right, close to more than US$1 billion equivalent, right? So, what are the ways that we are looking to kind of utilize this cash? You've already paid the dividend, maybe more is coming. But just want to understand what are some of the capital allocation priorities for that cash pile?

Ashish Adukia: See, I think from what we had mentioned earlier in the last quarter, it remains the same where we've increased our capex, which is going towards organic growth. We are focusing a lot on R&D, biosimilar on organic side. We are looking at some very differentiated portfolio either to acquire or to in-license as well. In-license also requires sometimes upfront to be paid. So, there is some capital allocation going towards that.

We continue to look at M&A opportunities both for U.S. for certain differentiated products, but also Europe to develop some of this deep market. So, we've been fairly conservative on our approach on these acquisitions. And, therefore, you have not seen many. But I think we're constantly deploying capital towards -- small capital towards many such initiatives that I talked about. This will continue. And if we find any larger opportunity, of course, we will come back to you.

Shyam Srinivasan: Got it. Just and last housekeeping, again, back on the U.S. $ 1 billion guidance exit, right? Should I be looking at it $250 million per quarter, or should I be looking at $80 per month, which would be more the right one to aim for?

Ashish Adukia: I think, see, it depends on the timing of new launches, like Achin said. So, that's how we should look at the guidance.

Shyam Srinivasan: Okay. Thank you.

Moderator: Thank you. Our next question comes from the line of Vivek Agrawal from Citi Group. Please go ahead.

Vivek Agrawal: Yes. Thanks for the opportunity. Just one question on gross margin. You mentioned that this quarter have been impacted by some higher than expected or normal inventory write-offs. So, just want to understand how to look at gross margin trajectory in coming quarters? And if you can also help us understand, what can be the right number or approximate number to work with for FY27 as far as gross margins are concerned? Thank you.

Ashish Adukia: See, this is not a significant impact as it's been seen. And I think the significant impact still remains as the product mix, okay. So, if the product mix remains same, then you can expect this margin to continue. We are anyways looking at always ways and needs to improve the margin. It was just more of an explanation around the movement in the margin. And as we go towards quarter three, typical, our recipe mix will increase, and that will help us with the margin even getting better from here.

Achin Gupta: Yes. And just to add to that, also what we mentioned was that these new products that you're talking about come with healthy margins, right. So ultimately, what we are making up for in corresponding period last year, they all had high margins. So, it will get substituted as the new pipeline kicks in with good healthy high margins.

Ashish Adukia: And our EBITDA margin guidance is also predicated on the launches and the margin improvement.

Vivek Agrawal: Understood. One question is on Ventolin, as well as one peptide product that you classify as a large product. So, two questions related to these two products. One, what kind of the competition you see in these couple of products, let's say, if you are there in the market for next one year?

And second, what kind of a fair market share you are capable of to achieve in these products, let's say, once the products are mature?

Achin Gupta: So, on Ventolin, right now, we have the CGT. So, we have exclusivity for six months. We are not aware of competition at this point in time. So, yes, so we will capture all the generic share till the point that competition comes in. And after that also, we would not expect it to be highly crowded, because of the complexity of this development itself. And similar case for the peptide as well, we have a very good chance of being the first and potentially being the only one.

Vivek Agrawal: Understood. So, in these products, is it fair to assume that you can -- given that the, kind of, competitive intense from the dynamics that are there at play, you can get, let's say, around 40%, 50% kind of market share once the products are there for the one year?

Ashish Adukia: Sorry, could you repeat the question, Vivek?

Vivek Agrawal: Yes. So again, just a question around market share. So, in these two products, given that you may be for the time being, the only player to be there in the market. So, is it fair to assume that can you take around 40%, 50% kind of market share in these products maybe in the next three, four quarters once these products are there in the market?

Achin Gupta: If we don't see competition, then yes, we can get there. It could even be higher. And once there is competition, you would have some advantage of being the first. But then over time, it moves to more proportionate kind of -- or slightly above proportionate kind of market share. But yes, if we are the only ones, if there's in one of the effort, once the pure generic comes, we have the ability to get the market share. And we've done that in the past. You see Albuterol in -- with so many players, we are holding on to a higher than proportionate share as well.

Vivek Agrawal: Understood. And just one last question, if I can squeeze in. In respiratory, you talked about that the two filings are there from U.S. And there's one -- out of three products you plan, two are from U.S. So the one filing that you talk about, that is only filed from India or contingent on indoor clearance. Is that the right way?

Ashish Adukia: Yes, we mentioned that, that filing is from Goa. So, it's already audited and it's clear.

Vivek Agrawal: Okay, thank you. That's from my side. Thank you.

Moderator: Thank you. Our next question comes from the line of Tushar Manudhane with Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: Thanks for the opportunity. So just on this potential peptide product, the launch is subject to, or contingent on any litigation, or patent expiry, or the product to a simple approval from U.S FDA?

Achin Gupta: Not really. This is a highly complex product. So, the launch is mostly a function of overcoming all that complexity, not the other variable adjuvant.

Tushar Manudhane: So, patent expiry is not the constraint per se. This is already operating product, is it?

Ashish Adukia: Yes, that's not the constraint.

Tushar Manudhane: Sorry?

Ashish Adukia: We can launch as soon as we get approval.

Tushar Manudhane: Yes, but it is off patent product?

Diksha Maheshwari: Sorry, Tushar, you are not audible.

Tushar Manudhane: I mean, to ask, is this a off patent product? Or is it something where you have won the litigation and hence approval is pending?

Achin Gupta: No, we said we can launch as soon as we get approve. So, I think because we've not disclosed the name of the product, etc., we can't get into that exact detail, but we are awaiting approval. And as soon as we get approval, we are ready to launch.

Tushar Manudhane: Understood, sir. And sir, secondly, on the India side, if you could just share the number of MRs and how do we intend to scale up over, let's say, next one to two years?

Achin Gupta: So, at this point, we have approximately 12,000 people in the field force. And for this year, particularly, we are not looking at any significant manpower additions, because we've added in the last two years. So, we're looking at more productivity initiatives and wherever required, we will reorganize to work within the same manpower strategy.

Tushar Manudhane: Got it. And sir, just lastly, in terms of IQVIA are you also experiencing the same in the Cipla's acute portfolio?

Achin Gupta: We lost you for a bit. Can you repeat your question?

Tushar Manudhane: Sir, I meant to ask as per IQVIA, in the acute therapies has shown a very strong pickup over the last three to five months. Is the same getting reflected in Cipla's acute portfolio as well?

Achin Gupta: Yes, we are in line with the market. And as we mentioned on respiratory, we have a strong beat on the market, and also in some of the chronic, but acute, we are more or less in line.

Tushar Manudhane: Got it, sir. Thank you.

Moderator: Thank you. Our next question comes from the line of Abdulkader Puranwala with ICICI Securities. Please go ahead.

Abdulkader Puranwala: Hi, sir. Thank you for the opportunity. Sir, my first question is with regards to your $1 billion revenue guidance. So, if I look at your current run rate of, say, $162 million, what you have done for this quarter, what we are basically talking about is close to, say, an addition of $400-odd million at least to happen with the four new launches.

So, within that, how should we look at products like Advair where there is some significant contribution? Do you still perceive this product to be a $100 million plus kind of an opportunity now?

Achin Gupta: No. I think that one has three or four competitors now. So, that won't be $100 million. But we have across this portfolio, and also Ventolin also will ramp up. So, we see this opportunity across these five products, right. So Ventolin, the three respi and the one peptide.

We also have a bunch of other smaller launches, so they will also contribute in a small way. They started doing that, right. So, these are not the only products we're launching. So, a little bit will come from the others as well, which will add to the steady base. But I think a lot of investments over the years have been made into these big-ticket products. So, this will basically drive the meaningful growth, which will lead us to that $1 billion exit.

Abdulkader Puranwala: Understood. And second one on Lanreotide. So, any further development you would like to highlight with the same partner or on the site transfer process, where are we right now?

Achin Gupta: Yes. So, we are following a two-pronged approach as we speak. One is Pharmathene has worked on a lot of remediation at their end as required by the U.S. FDA. So going back to the FDA at some point and asking them to allow resumption of Lanreotide to the U.S. is one part.

The other part is enabling another site through tech transfer, which is also happening as we speak, right? And we are choosing a site in the U.S. to reduce the number of variables. So, both are running in parallel. I think timing is a little bit fluid because both have dependence on the regulatory approvals. So, as we get more certainty on this, we will guide towards it. But at this point, we're not including that as part of our Q4 projections.

Moderator: Our next question comes from the line of Charul Agrawal with BofA Securities. Charul, you may proceed with the question. No response from, we'll move forward to the next part. Next question comes from the line of Maulik with 360 ONE Capital.

Maulik: Just one question. So, for as compared to 4Q, our other expenses have broadly come down. So, what is the reason for this cost control? Can you highlight something?

Ashish Adukia: So, it's broadly, if you see in line with sales growth. So, there is -- of course, we are taking measures to control costs as well. And it's basically a result of some of those initiatives that we are taking.

Moderator: Next question comes from the line of Foram Parekh with Bank of Baroda Capital.

Foram Parekh: My first question is on EBITDA margin. Since we are retaining the EBITDA margin for guidance of around 20%, so just wanted to and which is subject to these new launches. So I just wanted to understand, hypothetically, if we get delayed by for these launches, so what can be the EBITDA margin without Lanreotide and the new launches?

Ashish Adukia: No, I think, see, our effort for the year is to focus on new launches and with the approvals coming through based on that, we have budgeted our internal estimates this 18.5% to 20% is based on a plan. Of course, if there is a change in the plan due to any reason, then there can be risk to this margin guidance, including that of new launches, what you said.

Foram Parekh: Yes. But is there a threshold level beyond which we cannot grow? So, if you can just guide us on the threshold level that we can look at?

Achin Gupta: No, I think, see, if you see sequentially between Q4 and Q1, you see some improvement over there. And the idea is for us to grow all the rest of the base business is doing fine, and that growth also improves our overall profitability because expense base is more or less the same. And then over Q3 and towards the end of the year with the winter season, those are typically bigger quarters for us.

So naturally, there will be some improvement, but we have factored in bigger improvement on account of the new products, right, because that's how the -- particularly the U.S. business that is highly dependent on new product launches. So, we have blended it. I think it won't be kind of possible for us to put a floor. We are aiming for that ballpark and that page is where we are aiming for, and that's where we would expect to drive the business.

Foram Parekh: Sure. And my second question is on the domestic side. So now our chronic portfolio has reached 60%. So again, with the growth in Yurpeak and how do we see scaling up of chronic segment? Again, is there a level that we can quantify in next 2, 3 years time?

Achin Gupta: Yes. So strategically, we are growing respiratory. That's obviously one third of our total business. So and that has chronicity within itself. And then we are focusing a lot on diabetes, cardiology, urology, dermatology. I think these are the segments that we're specifically focusing on to drive that chronic percentage.

So, in each of these, you are seeing in the last quarter, a market-leading growth. And as we continue that trajectory, we are gaining ranks as well. So, it will increase as a percentage of our total business. Like if you see diabetes, we were ranked 30-plus 4 years back.

But today, we have a full portfolio from oral anti-diabetics to the newest products which are launched and including the GLP and insulin and inhaled insulins as well. So, we've looked at it strategically. So, you would see that improvement over the coming 2, 3 years in terms of larger share coming from chronic.

Foram Parekh: Sure. But if we have to put in a number, can we work out with like 65% kind of as a first milestone to achieve for the chronic business within 2 to 3 years? Or that would be little ambitious?

Ashish Adukia: See, I think we are also strong in acute, and that's a base a large base that sits out there, which will also keep growing, right? So, it will not be so the whole focus is that new growth that we are adding from new products, etcetera, will be oriented towards chronic, and we want to go there and create that momentum. But of course, you there is you can't ignore the strong acute that is sitting out there.

Moderator: Our next question comes from the line of Vivek Agrawal with Citi group.

Vivek Agrawal: Follow-up question. So, if you look at the EBITDA margin this quarter, right, it's around 16.7% and margins have fallen even below pre-Revlimid level, right? So, given that company has a strong India business, 50% of the business come from India, the margin doesn't look great, right? So, I just want to understand where we are bleeding? Is it like that U.S. business has turned loss-making after we lost the Revlimid sales?

Or is it like that some of the other markets like India or any other market that is where I think there is kind of a dip in margins in the last couple of years? I just want to understand and help you understand.

Ashish Adukia: I think the best way to look at it is -- first of all, this is not a steady-state margin profile, right? So, we should not be comparing it as a steady margin. The reason why it is low is multiple things, which we've been talking about. One, a lot of the operating expenses to launch these new products have already been committed, right?

So those are being incurred, whether it is manpower, facility, everything. And the products are just coming through. They started to come through. So, you will see a sharp improvement there. Secondly, as we had mentioned, temporarily, there is some impact of war as well, which is sitting in the numbers.

Now it's hard to predict how long and -- this thing, but maybe a 1% to 2% is what we are absorbing there at this point in time, right? So, I think with these kind of things, right, this is more a transit phase for Cipla.

And our expectation is with the new products, with facilities getting utilized with eventually the war situation will go away, and we are also working on a lot of cost optimization and productivity initiatives at our end. We will see a gradual improvement in the margins in the coming quarters, right? So sequentially, that's what we will drive.

Vivek Agrawal: Understood. And when you talk about that launch-related spend, right? So, it's like products like Yurpeak that is where you have spent significant amount of money or like even in the U.S., you are building up the launch for some of the major products that you're talking about?

Achin Gupta: So, it is not -- so most of the margin is on account of the U.S. products and launches because we have facilities which are there, which are staffed up, taking batches ready to launch products, but the revenue you're not seeing yet, right, because of the approval.

Even on R&D, if you see, we have slightly increased the investments, right? So, we are looking at this in a way that we can build sustainable growth in the business and a profitable growth in the business. Right now, the -- what you saw last quarter and this quarter is not our steady state is the point that we're trying to...

Vivek Agrawal: Understood. Just lastly, if I try to look at, let's say, 22%, 23% kind of EBITDA margin, so when you can reach at that level? Maybe is it 28% or 29%. What would be the right time frame?

Achin Gupta: I think right now, we would refrain from providing a guidance for next year. But I think direction for us is we recognize that the current margin level is below our steady state. So, we will improve it. And we've already mentioned 18.5% to 20% as the guidance for this year. So, you can expect improvements in the coming quarters.

Moderator: Ladies and gentlemen, due to the time constraint, that was the last question for today. I now hand the conference over to Ms. Diksha Maheshwari, Head of Investor Relations for the closing remarks. Thank you, and over to you, Diksha.

Diksha Maheshwari: Thank you, everyone, for joining in. And if you have any further questions, please write it to investor.relations@cipla.com. Thank you.

Ashish Adukia: Thank you. Thank you.

Moderator Thank you, team. Ladies and gentlemen, on behalf of Cipla Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.