“Cipla Limited Q1 FY23 Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to Q1 FY 2023 Earnings Conference Call of Cipla Limited. We have with us today, Mr. Umang Vohra, Management Director and Global CEO, Mr. Dinesh Jain, Interim Global CFO. Mr. Naveen Bansal CFO, International Markets and Head of Investor Relations. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Naveen Bansal from Cipla Limited. Thank you and over to you sir.

Naveen Bansal: Thank you, Rutuja. Good evening and a very warm welcome to Cipla's Q1 FY 2023 Earning's Call. I am Naveen from the Investor Relation Team etc. Let me draw your attention to the fact that on this call a discussion will include certain forward-looking statements which are predications, projections or other estimates about future events. These estimates reflect management's current expectation of the future performance of the company. Please note that these estimates involve several risks and uncertainties including the impact of COVID-19 that could cause our 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 confirmation, future event or otherwise. With that I would like to request Mr. Umang to take over please.

Umang Vohra: Thank you Naveen. Good evening to all of you. I hope that all of you and your families are safe and well. We appreciate you joining us for our First Quarter Earning's Call for financial 2023. I hope you have received the Investor Presentation that we have posted on our website. We will shortly release our integrated annual report of the financial year 2022.

This is our 5th Integrated Annual Report and reflex our relentless focus on improving transparency, governance and setting best in class disclosure practices. I am pleased to share our Q1 FY 2023 performance which demonstrates strong commercial execution and continued investments and portfolio, sustainability and growth linked initiatives.

Coming to the key highlights for the quarter:

As anticipated, the incidence of severe COVID infections came down significantly and seemed more manageable with routine medication during Quarter 1 FY 2023. Consequently, the contribution from COVID products has normalized. Despite the normalization, we have been able to drive strong core revenue growth through focused execution operational efficiency and maintaining high serviceability across our markets. The overall revenue for the quarter was Rs.5,375 cores which was 2% lower than last year's reported base and last year's reported base included a strong contribution from COVID products. Excluding the COVID portfolio from last year, the core revenue growth was a healthy 6% for the quarter. Our reported operating

profitability for the quarter came in at 21.3% which is tracking in line with the full year 21%-22% range, we guided to earlier.

For the quarter, our One-India Business across the prescription, trade generics and consumer health. Our business has recorded a robust 9% year-on-year growth adjusted for the normalization in COVID portfolio over last year's base. The COVID growth moment on last year's high base reflects the strong equity of our flagship brands across key chronic therapies as well as in-clinic excellence and digital engagement. Big brands in our trade generic business maintained a healthy scale and our digital engagement across the channel partners continues to witness seamless traction.

Our Global Consumer franchise continues to witness strong traction across brands in India and South Africa. The contribution of our Global Consumer franchise now stands at 9% of overall Cipla revenue for the quarter. With the vision to boost our wellness portfolio and diversify into the nutrient category we have acquired Endura Mass in July of year. Including this acquisition and our domestic consumer business under Cipla Health is well poised to achieve an annualized Rs. 600 crores franchise led by category expansion with new extensions coupled with sustainable growth in the operating profitability. Similarly brands with consumer potentials sitting in our prescription and trade generic stable in India and the OTC franchise in South Africa continued to deliver robust performance.

Our US business continues to grow sustainably over the last year base with the steady momentum and overall portfolio and includes contribution from our respiratory and peptide products. In line with the operating environment, we experienced modest price erosion on the overall portfolio which is reflected in our run rates. We believe this impact will be offset by upcoming new launches scheduled for the later part of the year.

The uncertainties and the challenges related to geopolitical conflicts and associated supply chain challenges continued through quarter 1 of the year keeping procurement and freight cost at very elevated levels. We have mitigated these incremental costs and the forex downside to certain extent via the price hikes, reflecting the strength and nature of our brands and business.

Our API numbers for the quarter reflex normalization and scale. Last year, we spoke of a profit share on the commercial supply of an API to a partner, a good share which was recognized in the previous year's quarter. This has also reflected in the operating profitability for the quarter at the company level which I will come to in a bit.

Our report gross margins after material cost stood at 62.3% for the quarter which is broadly in line with last year's figures. The gross margins for the quarter have baked in higher procurement freight and forex to the extent of 170 basis points which was offset by calibrated price hikes as well as the benefit of decline in the low margin COVID portfolio.

Total expenses which included employee cost and other expenses stood Rs.2,207 crores declining by 6.6% on a sequential basis, employee costs for the quarter stood at Rs. 956 crores an increase by 7% versus the last year's quarter, mainly driven by increments. The other expenses which include R&D Regulatory Quality Manufacturing and Sales Promotion are at Rs.1,252 crores declining 15% sequentially driven by lower R&D spends, judicious promotional and growth limit investments. Total R&D is at Rs. 274 crores or5.1% of revenues. The absolute trajectory remains interact with assets progressing in clinical trials and portfolio developmental efforts on going.

Reported EBITDA for the quarter was at Rs.1,143 crores or 21.3% of sales. On adjusting a normalization in the COVID portfolio and the API profit share from last year's base; our core operating profitability for the quarter grew by 12%. As alluded earlier the reported 21.3% EBITDA margin has absorbed 170 basis point impact of elevated cost base as well as our forex changes to deliver a higher margin than last year. The 21.3% tracks closely to the guidance of the 21%-22% range for the full year 2023.

Tax charge for the quarter stood at Rs. 268 crores and the effective rate was 27.5. Profit after tax was Rs.686 crores at 12.8% of revenue.

As of 30th June, a long-term debt stands at ZAR720 million in South Africa and $7 million in Uganda. We also have working capital loans of $49 million, €3 million, GBP3 million and others; which act as natural edges towards our receivables.

We have driven the relentless focus on generating cash and are continuing to focus on the rigorous discipline on cost. We continue to be appropriately hedged for key global currencies as per our policies.

Coming to detailed updates for the quarter by market.:

Our One India Core portfolio excluding the COVID products as we mentioned grew by 9% over the previous year. The branded prescription business demonstrated a 9% growth and we continued to maintain healthy racks and market share and key therapies.

The Consumer Health business as we mentioned earlier is now EBITDA positive and we wish to grow this sustainably in the coming quarters there has been very strong sharp consumer in-sighting and strong on ground execution in this business.

Over the last two years, we benefited from our strategic partnership with GoApptiv for digital solutions and channel. With our incremental investment, we hope to further widen updation for each via end-end brand marketing in channel engagement for the year 2-6towns.

I am also pleased to announce our investment Achira Labs which has engaged in development and commercialization of point of care medical test kits in India. This partnership will propel

Cipla's entry into the POC diagnostics and AMR space through the design, development and manufacturing of microfluidics-based technologies. This increases patient access to innovative. affordable and quality diagnostic solutions.

Coming to US generics and leadership: The US core formulation sales for the quarter were $155 million and registered a growth of 10% on year-on-year basis. We continued to manage healthy market shares in our respiratory products despite price erosion. I alluded to earlier, that our DTM Respiratory Franchise continues to perform well and grew by 22% over last year and we have now reached the top three rank in terms of market share in the generic respiratory space. From a launch perspective, we have geared up for some of the upcoming complex launches and closely working with the US FDA and approval timelines.

On the pipeline front, clinical trials and respiratory assets and filings on the complex Generics portfolio including our peptide injectable are on track. There is a slide in the investor deck that will you more details on the progress of the key assets across the respiratory, complex generics and peptide injectables. During the quarter we had a routine preapproval inspection at Indore for an ANDA file from the site. We received two minor observations and we have responded to the FDA. For our Goa Plant, we continue to work with the US FDA on inspection timelines.

Coming to our SAGA business which includes South Africa, Sub-Saharan and CGA: The overall SAGA region declined by 10% on year-on-year basis in dollar terms. The South Africa Private business experienced muted primarily sales growth in Q1 FY 2023 which is expected to recover in the coming quarter. Secondary terms from demand continues with our South Africa private market outperforming the industry. We continued to maintain a third position with the market share of 7.4% and grew by 10.6% versus 7% of the overall market as per IQVIA and MAT May 2022. In markets outside South Africa, the CGA business maintained it scale while the Sub-Saharan growth was driven by traction all across the region in $ terms.

Our international market business grew by 18% year-on-year in dollar terms across the emerging markets in Europe. The grows numbers include the benefit of last year's low base where we experienced timing deferrals pertaining to in-country currency allocation for Middle Eastern Supplies. We continue to closely monitor the volatile operating environment for currency and demand headwinds and explore options to mitigate risks and protect our margins. Our DTM franchise continue to deliver strong double growth which helps offset the emerging market forex volatility and muted B2B demand that we have seen.

To summarize:

- We are witnessing strong growth in our one India business despite the normalization in the COVID portfolio.
- We see strong and steady momentum in our US portfolio and upcoming launches are on track.

- Our international market business continues to grow despite ongoing geopolitical volatility and
- Our reported EBITDA margin of 21.3% with the elevated cost base baked in, tracks closely with our guidance of 21%-22% for the full year. On adjusting for the normalization in the COVID portfolio and API profit share in last year's base, our core operating profitability for the quarter grew by 12%.

Turning now to the outlook:

- We do want to accelerate our growth in the One-India engine with sharp focus on building big prescription brands across chronic therapies driving accessibility to trade generic brands for unmet ailments and sustain expansion in our portfolio and wellness categories in our consumer wellness franchise.
- We want to sustainably scale up US formulation business driven by the high serviceability of our current product portfolio and closely launching and monitoring upcoming high value launches in the second half of the year.
- Continue our execution on branded and generic portfolio brand building and portfolio interventions in our emerging markets in South Africa business.
- Very strong cost focus calibrated pricing actions and other interventions to navigate the inflationary headwinds that we are seeing on procurement and freight and
- Focus on regulatory compliance across the manufacturing facilities and implementing globally benchmarked ESG practices.

With this I would like to thank for your attention and we request the moderator to open the session for Q&A.

Moderator: We will now begin the questions and answers session. The first question is from the line of Saion Mukherjee from Nomura. Please go ahead.

Saion Mukherjee: Just if can give some color on the peptide asset that you have launched in the US in terms of pricing market share and how you are seeing that ramping up and secondly presentations suggestions you made around 5 filing on peptide. If you can throw some light on the opportunity and are these near terms opportunities something around the timeline and the size of these opportunity, please.

Umang Vohra: I will come to the peptide portfolio later, but the current peptide product in the market is scaling up as per our plans. We have guided that we would be in the teens market share by the end of the year and we are well on track with that. I do not want to comment too much on pricing at this stage but on market share we are ramping up fairly with our overall commitment that we had made for the product. On the rest of the portfolio. I can give you a sense that we have launched, that we have 5 peptide products and I think hopefully one is probably there are end of the year launch this year or early next year and them the other two after that are probably launches in late next year.

Saion Mukherjee: And do you think, this would be meaningful in terms of opportunity?

Umang Vohra: I would think so. I would think that there would be fairly meaningful launches to our trajectory.

Saion Mukherjee: Okay and my second question would be on generic Revlimid, so you are schedule for launch in September in the second wave and where you stand on the approval?

Umang Vohra: We will expect approval sign hopefully when the market forms.

Saion Mukherjee: Okay but can you confirm a September launch?

Umang Vohra: Well, I cannot give you an exact date because this is a settlement agreement but as we mentioned earlier, when the market forms, we are expected to launch as well.

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

Tushar Manudhane: Considering this quarter EBITDA margin 21.3% and even adjusting for the 170 bps impact, it is quite healthy at 23% and kind of base quarter for FY 2023. However, the EBITDA margin guidance still remains kind of conservative at 21%–22%, where in we have a good niche launches lined up in second half any particular reason, you are kind of conservative on this guidance?

Dinesh Jain Just to answer there, see the reason for that is that the freight cost and other procurement cost related increase, we expect it to continue for some period of time so therefore we want to, may be we are expecting that the launches will compensate for the increase and therefore we want to give guidance in this range only.

Tushar Manudhane: So, this Revlimid and Advair launch are kind of factored into this margin guidance. Is that safe to assume?

Dinesh Jain: Yes.

Moderator: Thank you. The next question is from the line of Prakash Agarwal from Axis Capital. Please go head.

Prakash Agarwal: Just continuing with the previous participant's question so the procurement is freight cost which we have already seen in this quarter, right? Incrementally, what I see from data is that Q and Q it is actually kind of dipping coming down a bit. So, what is holding us, with clear guidance of meaningful products in second half and so if you could just give us more color that would be helpful. Freight and procurement is what I understand is actually coming little bit versus quarter-on-quarter and please correct me if I am wrong.

Umang Vohra: We are seeing that coming off but at the same time we are seeing our R&D costs likely to increase in the quarters ahead. So, there will be a balance on account of that and because we have given a guidance does not mean we will hold to making sure that we are within this range. It will be what the business mix allows us to do.

Prakash Agarwal: Right and R&D what guidance are we given?

Umang Vohra: R&D we have said we will likely be about closer to 5.5%-6% for the full year.

Prakash Agarwal: And my second question is actually on the India business. So, I understand ex-COVID, we are 6% growth, so two parts here one is, is it pure COVID products or is it direct, in direct related products as well and we if we exclude that would the growth would have been higher and secondly if you split it and call out that, is it volume led, price led, and the outlook for the same given that there has been volume dip in the past but any outlook on the volume improvement that one can see. Price is clearly known that everybody has taken price hikes. So, two parts here.

Umang Vohra: So, couple of points to your question, I think on India we are seeing. So, these India numbers are only excluding from last year, the sales of COVID products which means Remdesivir, Molnupiravir, the antibody cocktail those are not part of the numbers comparably. So, the rest of the product that went up with COVID those are very much part of our base. Right? So, it is only the COVID portfolio which is knocked off and normalized. We see a roughly a 50%-50% breakup between volume and price in terms of growth.

Prakash Agarwal: And outlook sir.

Umang Vohra: And outlook as I mentioned, we will continue to grow higher than industry and depending on where the industry goes, I think our growth will be higher than that. So, we still think that core base business should continue to grow in India which is if you take out the impact of COVID etc. to the tune of about 10% in the full year.

Prakash Agarwal: For you or the market?

Umang Vohra: For the market.

Moderator: Thank you. The next question is from the line of Kunal Dhamesha from Macquarie Capital. Please go ahead.

Kunal Dhamesha: First one on Advair, so we had the inspection but any update on the filing any queries that are pending or we have responded.

Umang Vohra: Yes, we have responded to queries on Advair and it has been part of it. I think the inspection is also related to the Advair program.

Kunal Dhamesha: Okay so there are no currently any pending queries in the relate to it?

Umang Vohra: Not that we are aware of.

Kunal Dhamesha: Okay and have you seen any pricing aggression in that market very recently.

Umang Vohra: Let me answer by saying, we believe that the last tender has also gained some share and I think the market we have not seen any significant price aggression.

Kunal Dhamesha: Sure and second question on Lanreotide is there any supply constraint that we are facing in that product?

Umang Vohra: No. we do not have any supply constraints right now.

Kunal Dhamesha: Okay and for our targeted market share also we do not see any issues.

Umang Vohra: No.

Moderator: Thank you. The next question is from the line of Binu from InCred Capital. Please go ahead.

Binu Pathiparambil: Hi, this is Binu. Hi Umang and just a follow up on Revlimid. Most or some of competitors were planning September launch have got and waiting approval in place, whereas it is missing in your is there anything to read into it or is it technical?

Umang Vohra: No, it is just that we do not comment on exact dates for the market if it is a settled product.

Binu Pathiparambil: Okay, I understood and for Advair and Abraxane do you still hold to a second half FY 2023 launch guidance?

Umang Vohra: Yes, for Advair we are hoping it is the earlier part of H2 and Abraxane will be the latter H2.

Binu Pathiparambil: Just one last on Lanreotide, what are you seeing in terms of patients gathering in the market. Are you mostly getting only new treatment initiations or are you seeing some conversion from existing users to your product?

Umang Vohra: So, it is difficult to plot that for us because beyond saddle to the channel partners, we do not have exact visibility of whether this is going only to the new patients or old patients or a combination. So, we would think based on whatever we have learnt that it would be for both categories of patient.

Moderator: Thank you. The next question is from the line of Sameer B. from Morgan Stanley. Please go ahead.

Sameer Baisiwala: Umang, it is a pleasant surprise to see the pipeline slide, even more pleasantly surprise to see five peptide products already filed. So, good job done there. Just a couple of questions on this for the first two or three launches that you talked about, can you help us with the addressable

market A., and B. Are these, patent protected? Or are you limited by your own approval to enter the market and do you see a generic competition there or you think you will be the first to entry into these first three products?

Umang Vohra: Sameer for a few of those products we know we are not first but the addressable market is fairly sizable for two or three players to exist together. We think there could be 2-3 players in each of these markets. I do not think, we are first in any of them, frankly. So, that is what I would say at this point in time. I think the market is fairly large for any peptide for the one that are there I think will not be uncommon to see your product in the $35-50 million range, if executed well. I think on the exact question of, sorry what was your third question Sameer? It escaped my mind I was on a flow trying to answer it and then I just lost track of it. So, you asked me about the addressable market, you asked me about whether the comparative nature whether we would be the first? What was the third one you asked?

Sameer Baisiwala: Are these, patent protected today or?

Umang Vohra: So, I think one of them is I know for sure has lost its patent. The other two had some patents which probably from what we understand have either gone off and a few of the remaining will go off in the next year.

Sameer Baisiwala: And also, for your partnered inhalation asset I think the size is that it was filed in 2017. So, why is it taking so much time?

Umang Vohra: There were queries that the agency had, Sameer on it, they were not completely satisfied from what we heard from the partner and for which the partner had to do additional work and has filed and resubmitted that.

Sameer Baisiwala: And it still remains a relevant opportunity or has it shrunk over time.

Umang Vohra: I think the market stays relevant even now. There is no generic entrance on that particular product.

Sameer Baisiwala: Any update on Abraxane? I think you are also expecting FDA inspection for that product?

Umang Vohra: Yes, we are hoping that there would be an inspection soon because in terms of, when we make a list of what we need to do. We have addressed significantly most if the items on the product but the inspection is critical for it to be launched.

Moderator: Thank you. The next question is from the line of Nithya Balasubramanian from Bernstein. Please go ahead.

Nithya Balasubramanian: Thank you for the opportunity, I have got a couple on India and one quick on the US. So, in India, Umang several of your peers announced that they are actually adding people on the ground any plans to do so for Cipla? And the second question on India is, we are now seeing a lot of

these diabetes brands lose exclusivity, Cipla actually licensed a bunch of branded DPP4 & SGLT2 in the recent past. So, now that there is competition from these generic brands how do you see Cipla? Cipla being positioned to grow in diabetes and cardio.

Umang Vohra: So, I think on diabetes Nithya, let me take that one first. I think it is pretty clear we actually not Sita has recently got patent, we do not have a Sita. We were never selling Sita. We did not have it licensed from any innovators. So, for us it is an opportunity, the same time, having said several players launched on, actually more than several players launched from day one. So, we continued to stay extremely cited about what the potential for diabetes is because also our relative size is significantly lesser. I think on the others we are taking calibrated calls and some cases we are going ahead with the partnership with the ability to stay in the market even after the patent expires with potentially our own product with the same brand name etc. or we are finally having conversation with the innovators to stay relevant in the category. So, I think on both options are opened. On the India field force, yes, we are expanding but our expansion news are not big news in terms of numbers, what we try and do is look at pockets and we do not have a one sanctioned x number of expansion per year. we actually are beginning to look at more India's pockets because I think the expansion thesis for some territories plays out very well. So, for example as healthcare deepens in tier 2 to 6, we think there is a lot of expansion potential in certain markets in UP, and certain markets in Tamil Nadu as against in overall theme to expand in force on a particular division across the country. So, we are taking those views and I think last year also, we had expanded set of people and this year also we will expand but it will not be out of one big announcement in how many we would expand so the full year.

Nithya Balasubramanian: Umang, one quick follow up on your diabetes response, I think my question really was if you had licensed line up let us say in linagliptin and empagliflozin you now see lesser potential for these products now that there competing products in the same class that are generic and my second question on the US was on the pipeline slide you a complex inhalation asset right on top which is approved. I am assuming this is not albuterol or any of the other assets you have in the market. If it is approved. Can you talk to us about product this is?

Umang Vohra: Nithya on that we are very clear, I think if we feel that the potential for a particular category class is diminished then we would have the conversation with the branded company to either return the asset or continue to sell it with modification etc. in terms. So, that is where we are having those discussions and the overall objective should be that we stay relevant and comparative in the diabetes category.

Naveen Bansal: Umang, we will come back on this, we are double checking this. We will come back.

Moderator: Thank you. The next question is from the line of Kunal Randeria from Edelweiss. Please go ahead.

Kunal Randeria: Umang, first question is on the domestic trade generic business for the last couple of years was definitely seeing, quite strong growth but now we are seeing a few more players have entered.

So, just would like your thoughts on how you see this market evolving in the next couple of years and where does Cipla stand now that you have built a critical scale here.

Umang Vohra: We are very bullish about this market specially as healthcare deepens in India and I think the other players who entered, we know that they are also doing well based on comparative intelligence that we have gathered. But we continue to grow significantly higher than market in the trade generic category and I think it is probably because of our legacy of the business that we have here. So, it is very strong growth that we forecast for the trade generic segment and we believe that the deepening of health care will aid in that.

Kunal Randeria: So, should we sort of assume that this will grow faster than the branded business?

Umang Vohra: Well historically, it has grown either at the same level as the branded business or marginally higher and I think that trend should probably continue.

Kunal Randeria: Right and my second question is competition in Advair. I believe Lannett file has been delayed to 2024 now. So, any other players, you are aware of that could may be come sometime next year after you?

Umang Vohra: Do not have color on that, not that we are aware of right now, based on what we view but we do not have full color on that.

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

Nitin Agarwal: Umang, you talked about the complex launches in the second half of the year, can you just put a number to the number of potential launches we are looking at. We have talked about three of them. Are there more than three or is that the three that we talked about at various times in the conversation?

Umang Vohra: I think we put out a detail on which are the significant ones expected I think that is reason that those three have come out. There may be one odd more launch but they will not be meaningful in terms of trajectory elevation.

Nitin Agarwal: And like ways if you would sort of put it little forward, do you have similar launches of similar sort of size even in 2024?

Umang Vohra: I think some of the peptides that we have mentioned will come in that range and there are a few others also depending on timing level also be a full year effect.

Nitin Agarwal: Secondly on the biosimilars bid is there any sought of update on your thoughts on how you are looking about this opportunity now?

Umang Vohra: Yes, biosimilars, we have actually progressed one asset is moving forward and between Kemwell and us and I think we are very happy about the progress of that asset but it is a long term out. It is a launch only after the next 5 to 6 years. So, we have got the asset early, we believe it is a good respiratory biosimilar to be after and we are also developing products for the India Biosimilar franchise and I think those are the two categories that work is on. Second product for the regulated markets will be short listed very soon.

Moderator: Thank you. The next question is from the line of Krishnendu Saha for Quantum Asset Management. Please go ahead.

Krishnendu Saha: Just there is good launches coming up in the second half, just wanted for your thoughts the US profitability how is that compared to the last year with improving significantly and is it going to be above the average of the company, that is the first question if could throw some light on that please.

Dinesh Jain: Yes, it is in line with the company average.

Krishnendu Saha: But in H2 if the launches come through so they will be better than the company.

Dinesh Jain: No, compared to last year it is in line and when the launches happen then it will become in line with the company.

Krishnendu Saha: Okay, it will come in line. When you talk about partner's product what kind of economic do we look at it, are we invest some the bill for us or the partner how does it work for us? Could you show some economics around that please and just one thing on the financial, the other income has increased drastically at this quarter. I just forget the number, the 106 crores, fill me up on that please. Thank you these are the two questions.

Umang Vohra: We do not divulge the economics for the products but I think it is a fairly healthy share of the product economics, the product is need at Cipla. So, the economics are fairly healthy from our perspective and you know it's in line with what the industry averages for these type of products are.

Krishnendu Saha: Whatever we will partner it will be manufactured from our facilities, be it in Goa, be it Indore, be it any is that one manufacturing thought.

Umang Vohra: No, it is manufactured in our facility. The product is manufactured already at our facility.

Dinesh Jain: No, when the profitability comes, the daily economics it is better than the normal purely a in licensed product so rightly said since it is only manufactured in our facility and we are partnering it in the development process also. The daily economics will be much better but we cannot divulge the actual numbers it will vary with the product.

Krishnendu Saha: I am talking about the other income. It seems to be little bit higher than the quarter-on-quarter its numbers. I just relating to that fact, if I am right?

Umang Vohra: I think it may be more accruals specific. Dinesh, the deltas on account of what specific. So, you are comparing it with quarter 4 or last year?

Krishnendu Saha: I think I am comparing it quarter 4, this is nothing big but it just caught my eye, so just.

Umang Vohra: It is mainly on account of, at quarter 4 because of the depreciation of the Sri Lanka currency we had to exchange loss. So, this time, it was higher compared to what we gain on a USD. In the current quarter we have an exchange scheme which is a qualitive number and also the financing income is slightly higher than the quarter 4.

Moderator: Thank you. The next question is from the line of Sayantan Maji from Credit Suisse. Please go ahead.

Sayantan Maji: My first question is on Albuterol so in this quarter Q1 FY 2023 have we seen incremental price erosion due to the entry of new player versus Q4 FY 2022 or the ramp up of nuclear.

Umang Vohra: Actually, for albuterol every quarter we see a little bit. So, we have seen it quarter 4, we saw it quarter 3 as well and I think there is incremental price special every quarter actually but it is not deep discounted if erosion if that is what your question.

Sayantan Maji: Okay but my question was mostly around, so in Q1 FY 2023 versus Q4 FY 2022 so has the erosion been higher compared to what you see usually see quarter-on-quarter or has it been at similar trend.

Umang Vohra: I am not sure, yes there is erosion but I have not been able to look at the numbers to see whether it is higher or lower or as a trend but quarter we see some erosion, a little bit always happens.

Sayantan Maji: And second question is on R&D. So, this quarter was a bit lower than our full year guidance. So, when do we see it increasing? Does, it increase uniformly with the next few quarters or it will it be more in backhanded?

Umang Vohra: Yes, I think as our clinical trial begins to enroll more and more patients, you will begin to see this peaking out in Q2, Q3, Q4.

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

Tarang Agarwal: Just a further to one of the earlier participants questions under semantics of partnered products. So, basically, what I wanted to understand is how is it really flowing through the P&L and the R&D. so for instance if it is a partnered product and if development costs are being shared then clearly a portion of it will be reflective in R&D when the product is being developed but as the

product gets and approval and the commercialization takes place. In case the product is being manufactured by the partner do we buy the product and then sell it so we will have a revenue and a cost line item or we directly sell it and there is a percentage of profit coming in which will directly go to EBITDA against our R&D investments?

Umang Vohra: Which specific product are you asking about because then I can give an answer for that.

Tarang Agarwal: For instants the peptide's portfolio, I believe the manufacturing is happening at the partner.

Umang Vohra: Yes, from there we would buy it so the cost of it would come into our gross margin and sales would be captured in our sales

Tarang Agarwal: Against whatever we would have invested in terms of our R&D in the earlier period, right?

Umang Vohra: The R&D was anyway charged off. So, a lot of the R&D is charged off whatever milestones we may have paid the partner that is anyway getting amortized over the usual life of the asset.

Tarang Agarwal: Okay and our agreement with the partner is on a fixed price procurement or that varies at the market place peers.

Umang Vohra: Well, it is a mix of both, it is a price that is set and then on top of that there is sharing that happens.

Moderator: Thank you. As there are no further questions. I would now like to hand the conference over Mr. Naveen Bansal for closing comments.

Naveen Bansal: Thank you Rutuja. Thank you so much everyone for joining us on the Quarter 1 FY 2023 Earnings call today. In case you have any follow-on questions please feel to reach out to the Investor Relations Team here at Cipla. A very good evening to all you. Thank you so much joining.

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