Cipla

"Cipla Limited Q2 FY25 Earnings Conference Call"

October 29, 2024





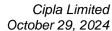
MANAGEMENT: MR. UMANG VOHRA – MD & GLOBAL CEO, CIPLA

LIMITED

Mr. Ashish Adukia – CFO, Cipla Limited

Ms. Diksha Maheshwari – Investor Relations,

CIPLA LIMITED





Moderator:

Ladies and gentlemen, good day, and welcome to the Cipla Limited Q2 FY25 Earnings Conference Call.

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

I now hand the conference over to Ms. Diksha Maheshwari from the Lead Investor Relations. Thank you and over to you ma'am.

Diksha Maheshwari:

Thank you, Rayo. Good afternoon and a very warm welcome to Cipla's Q2 FY25 earnings call. I am 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 management's current expectations of the future performance of the company. Please note that these estimates involve several risks and uncertainties that would cause our actual results to differ materially from what is expressed or implied. Cipla does not undertake any obligation to publicly update any forward-looking statement, whether as a result of new confirmations, future events, or otherwise. I hope you have received the investor Presentation that we have posted on our website. I would like to request Umang to take them on.

Umang Vohra:

Thank you, Diksha. Good afternoon to all of you. We appreciate you joining us today for our 2nd Quarter Earnings Call.

This quarter, we yet again delivered a strong profitability. The reported EBITDA margin stood at 26.7% for the quarter, which is our highest ever quarterly EBITDA margin that's reported by Cipla. Growth in EBITDA outpaced topline growth of 9% year-on-year, which was primarily impacted due to a change seasonal pattern.

I would now like to start with the updates on our key markets:

Our One India business witnessed a slow seasonal growth, especially in the acute category. In anti-infectives, one of our largest therapies, the market growth came at 4.9% as against the last year growth of over 12% as per IQVIA MAT September '24. This impacted both our branded prescription as well as the trade generics business.

On an overall basis, One India growth stood at 5% year-on-year. Our endeavor is to outpace the market growth on a full year basis. With the revival in the season and the respiratory uptick starting in quarter 3 of this year, we should revert back to our growth trajectory. While we are seeing slower growth, we have continued to invest both in field force and investments in the field. Our number of people on the field has now reached 8,700 people.



During the quarter, our branded prescription business continued to outpace market growth in chronic therapies. Respiratory grew by 9%, cardiac grew by 11, and urology by 15%. Our share of chronic also improved to 61.5% as per IQVIA MAT September '24. Performance of our big brands was one of the key highlights for this quarter. In our branded prescription business, we have added three new brands in the category of revenue of over Rs. 100 crores. We now have a total of 25 brands in this category, along with 21 brands in top 300, as per IQVIA MAT September '24.

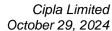
Cipla continues to be the largest pharma company in terms of volume and the only player with 2-billion+ unit sales in IPM as per the IQVIA MAT September '24. In our trade generics business, the business is impacted by the season. However, we expect it to revert to the usual growth trajectory in the coming quarters.

Our Consumer Health business witnessed strong traction with anchor in transition brands continuing to grow bigger. The business posted a robust growth of 20% plus. Anchor brands of Nicotex, Omnigel, and Cipladine maintained their leadership position in their segments. The business is focused on driving a very healthy secondary growth and tries to look for opportunities to invest in products and channel to strengthen the distribution network. The operating profitability of our business is consistent at 15%.

In North America, we delivered a quarterly revenue of \$237 million. Barring a temporary supply issue in Lanreotide, the sustenance in revenue has been supported by continued positive traction in our differentiated portfolio. Albuterol further enhanced its market share to 19% in this quarter. The Lanreotide franchise consisting of 505(b)(2) and ANDA assets reached the market share of 35% during the quarter as per IQVIA MAT-24. Currently, we are facing some supply challenges in Lanreotide, and hence we expect the Quarter 3 Lanreotide franchise sales to be lower than quarter 2. However, these issues are anticipated to be resolved by the end of Quarter 3, and starting quarter four FY25, we should be able to recover sharply in the Lanreotide franchise. We're also working to increase the overall capacity of Lanreotide through CAPEX investments made by our partner. During this quarter, we also received four new generic drug approvals, including one peptide in the US market.

Progressing on our journey of strengthening the Africa story, we now have merged the North Africa business, which was part of EMU with the SAGA region and renamed it as One Africa. Our overall One Africa business recorded a vigorous growth of 22% with South Africa also delivering a similar growth in local currency terms. In the private market, our secondary growth was at a healthy 8.6% versus the market growth of 0.5%. Our South Africa private market now ranks number two in the market with the prescription business maintaining its number one position. North Africa also demonstrated a strong growth during this quarter.

In EMEU, our deep market strategy has started paying off with the business delivering a solid growth of 18% in US dollar terms, with a pickup in both our DTM and B2B categories.





I will now cover some of the issues regarding the regulatory inspections. Resolution of our regulatory issues remains our top priority. Our Goa facility recently underwent re-inspection by the US FDA. The facility was issued six 483 observations. We are still waiting for the classification of the inspection. At Indore, our focus remains on remediation and implementation of the CAPA.

De-risking of generic Advair, our major inhalation asset, has been progressing as per expectations. We expect to launch this asset in the half-one of FY26. For generic Abraxane, while we are more likely to launch it from our Goa facility, this may require approval for the facility, impacting the timeline of the launch. We have continued with our efforts to de-risk the product through the CMO site.

On the sustainability front, we have had some good progress. During the quarter, Cipla achieved ranking with the S&P Dow Jones Sustainability Indices, and the score has improved to 79 from 70 that was there in the previous year.

To summarize:

The overall company outlook, we are on track to achieve our margin guidance for the year. That is between 24.5%, 25.5%. Last 12 months have been audit heavy with our facilities of Invagen, Kurkumbh, Patalganga, China and Goa audited. All these facilities have cleared with either a VAI or NAI except for Goa where the classification is still awaited. In Lanreotide, we are in the process of resolving our supply issues. Our trade generics business, the model change has been successfully implemented and we now have a better control on the channel.

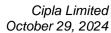
With this, I would now like to turn the call over to Ashish for the financial and the operating performance.

Ashish Adukia:

Thank you, Umang. Just coming to the key Highlights of the quarter. And please note that the growth percentages that I am going to talk about are all adjusted for QCIL, the divestment that we did last year in Quarter 3.

We reported a quarterly revenue of Rs. 7,051 crore with a growth of 9% driven by our core businesses of India, North America, South Africa, as well as EMEU. The EBITDA margin excluding other income stood at an impressive 26.7% for the quarter, up by about 70 basis points YoY and 111 basis points QoQ basis. The reported gross margin after material costs stood at 67.6% for the quarter which is 159 basis points above last year's figures, mainly driven by overall better mix

Total expenses for the quarter include employee expense as well as other expenses that stood at Rs. 2882 crore. The employee expenses includes our strategic investments which Umang also mentioned in the India branded prescription business via field force, especially on the chronic therapies. Between FY23 and H1 FY25, we have added almost 1,500 plus feet on ground. As





highlighted earlier, we have also introduced retail task force in India trade generic business, a team of almost 500 plus feet on ground for better visibility and control over business, leading to improved customer relationship. These investments will help us meeting our long-term organizational growth goals. Increase in other expenses is on account of new launches in India branded prescription business, so it's an investment towards that. It also includes commencement of our plant operations in China, which is expected to start supplies in this financial year itself, and investment in our MDI facility in Fall River for filing new products and de-risking some of our existing pipelines.

R&D investments for the quarter are at Rs. 385 crore or 5.5% of the revenue, driven by product filing costs and developmental efforts higher in the quarter by 2% versus last year. Profit after tax for the quarter is at Rs. 1,303 crore or about 18.5% of sales with the effective tax rate at 27%. Our free cash generation and operating efficiency continues to drive healthy net cash position. As at September 2024, a debt on our balance sheet including the lease liabilities stood at Rs. 461 crore with net cash equivalent balance of Rs. 7950 crore. This quarter we had paid out a dividend of Rs. 1000 plus crore.

Now I will conclude with key focus areas and growth levers in the subsequent quarters.

The priority for One India would be to continue to grow ahead of the market in branded prescription and accelerating the growth trajectory in trade generics while further working on solidification of the growth levers for wellness portfolio including ramping up in new launches.

In North America, our focus would be on commercial execution, expediting the launches from our US facilities, and resolving the supply issues that we talked about. De-risking key launches for FY25 remains one of our key priorities. In South Africa, our continued focus stays at margin expansion, and in EMEU, our top priority is to maximize topline with focus on deepening our penetration in identified core markets while sustaining the strong margin trajectory. Our ROCE for the quarter on an annualized basis was 30% plus. And like Umang said, our EBITDA guidance remains unchanged at 24.5% to 25.5%.

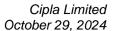
I would like to thank you for your attention and would like to hand over now to the moderator for Q&A.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from Damayanti Kerai from HSBC. Please go ahead.

Damayanti Kerai:

My first question is on Ambraxane opportunity. So obviously I think we are waiting for Goa clearance for this particular product. But can you comment in case we don't heard back favorably from the USFDA regarding classification etc. How far this product can be pushed in terms of launch in the market? If I remember correctly, earlier you said this launch could possibly come in second half of FY25. So what is your recent thought on this product?





Umang Vohra: Yes, I think it depends on the clearance of Goa. And I think from the time of the clearance, the

clock starts pretty much for this product. So from a timeline perspective, this is the fastest

possible way.

Damayanti Kerai: Okay, in case Goa takes slightly longer, then you proceed with the CMO route, then how long I

guess we have to wait?

Umang Vohra: So the CMO route is going to take much longer. That, you know, it will have to be filed as a

supplement. So that is definitely over a year.

Damayanti Kerai: My second question is on the supply issues which you mentioned on Lanreotide. Is it purely the

capacity constraint or there are some other issues and are you remain confident about preserving this in a quarter and then supplies going back to the normal level? And then a quick question on the four approvals which you got during the quarter. So I believe one is the peptide product, Calcitonin. So do you have manufacturing capability for that particular product or it will be again

done through CMO?

Umang Vohra: The most Calcitonin (Salmon) is likely from a CMO because the source of the API itself is

different. So yes, we are not doing it. It's being done through a partner. So that's on Calcitonin.

Damayanti Kerai: And on Lanreotide issue?

Umang Vohra: So Lanreotide is, I think there are two things that are happening. One is as we are expanding

capacity, we have to reconfigure, the partner has to reconfigure the lines. I think some part of it is that. Some part of it is also that there is more demand than we anticipated. So I think it's a mixture of both. So it's capacity creation plus also maybe maintenance at the site because of which this quarter is down. I think we are confident that quarter four onwards we are good with

this.

Damayanti Kerai: You are investing in the partner side for capacity expansion or how is the arrangement there?

Umang Vohra: No, our partner is investing. Our partner is investing. It is their site.

Damayanti Kerai: My last question is on India business. So again, I guess we expect to see better seasonality in

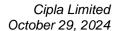
3Q. So are you seeing like initial sign of better pickup in the respiratory for third quarter and that's why you believe you could still outpace market growth in the full year basis because after

3Q, I believe, fourth quarter is generally a lean quarter, right?

Umang Vohra: That is correct. So the seasonal triggers for respiratory, the pollen alerts, the pollution

environment typically starts after Diwali. So we are beginning to see some of that rising, but hoping that, I don't know how we will hit the season, but we are hopeful that this particular time of the year will mimic the other. Unlike the acute season, this is not solely a seasonal trigger. It

is also the impact of pollution in the air. It is also an impact of allergens and pollen.





Moderator: Thank you. The next question is from Anubhav Agarwal from UBS. Please go ahead.

Anubhav Agarwal: Good evening. Just continuing on the question, Lanreotide, I am just trying to reconfirm that at

> your partner, there is no external constraint because of which the supply has been impacted because for European partner, supply was impacted in the June quarter. Now you face constraint in September and you're guiding for the December quarter also being impacted. So first, sounds strange that partner is expanding that's why 9 months of total capacity being out and severe shortage in Europe and you also facing shortage. So confirming that there is no external dependency for the partner, it is just because they were expanding that's why they're facing so

much shortage.

Umang Vohra: So I think what we can confirm to you Anubhav is that the issue is not a supply chain related

issue in terms of material or anything. The issue is linked completely to the partner's production.

Anubhav Agarwal: And Umang, how do you get confidence that this will come back to full normal level?

Umang Vohra: Because we visited. Because our teams have visited, they've made an assessment, and we are on

regular calls with the partners. So we have our confidence in that.

And what would be the impact for you guys? For example, \$237 million revenues this would **Anubhav Agarwal:**

put it go down. But let's say about below 225 next quarter, what kind of impact will it be for...

Umang Vohra: Yes, I mean, we are going to see a fairly reduced number on Lanreotide for Quarter 3. And I

think, yes, it could be lower than the 220 mark. Depending on how quickly we get supply back,

we could be looking at something in lower than 220.

Anubhav Agarwal: And just one more clarity, in this quarter was the generic Revlimid was this quarter-on-quarter

higher in September versus June quarter?

Umang Vohra: I will ask Ashish. Ashish, do you want to comment on this one?

Ashish Adukia: Yes, we don't give guidance on lenalidomide sales because of the contract that we have with

> them. And on the previous question, just want to clarify that quarter one, quarter two has not been impacted in Lanreotide while we may have talked about some anticipated supply issue in on our calls, but the numbers we achieved 35% share in Lanreotide franchise of both assets, and

that's what we should revert back to after we have the supply issues sorted out in quarter 4.

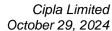
Anubhav Agarwal: Thank you, team. That's helpful. Just one more last clarity of this. So once capacity is expanded,

are we talking about, let's say, just a ballpark understanding? Can our market share go up by

20%, 10%, some ballpark understanding in next 1-2 years on this product?

Umang Vohra: Yes, market share could be higher. That is for sure in this case.

Anubhav Agarwal: No, that's obvious, right?





Umang Vohra:

Anubhav, just one thing. I think one of the reasons we have attributed is to capacity increase. Not all the reasons on production not being there is solely linked to capacity, just to be very clear. There are no reasons on supply chain that constrain the product. The reasons that are constraining the product is production at a partner site. One of the reasons the production is there due to increased plans for capacity. But there are other reasons as well which may have perhaps, which may be the same that you may have picked up on from the European partner for this for our manufacturing part.

Moderator:

Thank you. The next question is from Ameya from JM Financial. Please go ahead.

Ameya:

First question I have on the Africa region. So this quarter we have seen a good amount of uptick in the Africa segment. So you expect the sales to normalize in the coming quarter because there has been some about 10 million jump in the tender sells as well as there is a 17%-18% growth in the private revenue while the secondary growth has been in single digits. So if you can clarify?

Ashish Adukia:

Sure, see, a couple of things I would like to highlight. One is, like you rightly said, there's been a significant increase in the tender business. Okay, this is more opportunistic, where we make good margin is where we participate. And we did some vaccine tenders as well, which has helped us to grow that. And tender business will always depend on tenders coming in as well as the margin that we are making. So, it will sustain, but it can also certain quarters may be different. The other reason for the performance is also now a fully integrated actor, which was not there in the previous quarter. So that has also added to OTC as well as Rx. And this is going to be sustained, this will sustain because actor is now part of our portfolio. So we'll add to growth through actor. And the third thing I would like to highlight is that we have been constantly focusing on new launches in South Africa which has also helped us to grow faster than the market. So yes, it is a big difference but these are some of the levers which have helped us and will continue to help us to grow fast for other market.

Ameya:

So is it fair to say that Rs. 800 crore to quarterly run rate is largely a new base or vis-à-vis some movement in the tender side?

Ashish Adukia:

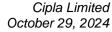
No, we can assume this to be the base. There will be no de-growth, I would say. But anyways, like we always have said, the focus on Africa will always be margin for us because it is margin dilutive on an overall basis. So it's lower than 25% at the company level. So the whole idea is just to focus on margin to get it back to track. So if that means that we have to give up some revenue, we may give up, but we don't anticipate degrowth in One Africa.

Ameya:

Sure, thank you so much. The second question I have is if you can provide the updates on some of the filings like, respiratory filings like Dulera/Qvar and Symbicort?

Ashish Adukia:

Yes, so the timeline has not changed for us. So the guidance that we had given earlier that of FY27, that continues to be there for Symbicort and Qvar, and one more partner inhaled asset that we have talked about.





Moderator: Thank you. The next question is from Surya Narayan Patra from PhillipCapital. Please go ahead.

Surya Narayan Patra: First question about the sequential decline in the US sales for the quarter what we have seen.

Could you clarify what would have impacted? Because sequentially, we have seen improvement on albuterol, we have seen sequential improvement in Lanreotide and obviously the Revlimid would be sequentially remaining flat or slightly improved. So what would have impacted the

QoQ performance in the US? Whether it is any pricing?

Umang Vohra: So one is definitely Lanreotide.

Surya Narayan Patra: Press release indicates our Lanreotide market share has improved quarter-on-quarter.

Umang Vohra: That is as of August.

Ashish Adukia: Yes, it's a matter of August.

Umang Vohra: That is as of August. I think the issue here is largely on account of a reduction in Lanreotide and

potentially one other product which we may have and also please keep in mind though we did the 250 number in quarter 1, we were very clear that that was not the trend line for the US

business and the real trend line for the US business was between 230 and 240.

Surya Narayan Patra: Okay, so that was my first. Second question was about the removal of the patent for this Advair

as well as Albuterol by GSK and Teva on the request of USFDA. So because of that, have you seen any kind of finance competition or any pricing implication or do you even expect any kind of if not seen so far, going ahead, do you see an enhanced competition price or what impact that

you do see because of those developments?

Umang Vohra: It's difficult to quantify at this stage, but as of now, we don't see really a big impact of this.

Because even if the patent is off, for anybody to develop the product, it's going to take 3 years

or 4 years. So I don't think that will impact us.

Surya Narayan Patra: And just last one point I wanted to clarify a bit about this Africa integration, the One Africa

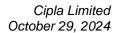
thing, see, what is the kind of synergy that we can have, having seen the success here in One India, while it sounds similarly for Africa, One Africa, but what synergistic benefit that that can flow out of these initiatives may not be on the revenue side on the profitability side and your strategic initiatives for that, because new product launches in licensing for Africa market. Those have been the kind of strategies that you have been anyway following for those markets. So now

with this One Africa, what one should really think and what changes that one can see?

Ashish Adukia: See, I think I can probably, and Umang you can add, so one is a little bit more focused approach

to Africa because in EMEU it's like 85 countries sitting out there. Okay, so when you just bring it along with Africa, you get a better leadership focus to actually grow that region and we see

some potential out there. So that's one. Second is some supply chain benefit you will get





especially products going from India to Africa. So there can be some benefits out there. Yes, apart from that, our One Africa strategy broadly is top cities rather than top countries within Africa. So rather than going deep in each country, you go deep in top 20 cities. So this actually helps us to achieve that focus on top 20 cities as well enough.

Moderator: Thank you. The next question is from Ankush Mahajan from Axis Securities. Please go ahead.

Ankush Mahajan: So my question is related to we have Revlimid sales and Lanreotide. I try to understand that

what about our base business sir, how it performed in the last quarter?

Ashish Adukia: We covered that question on Lanreotide like we already covered. I think is there anything

specific that you would like to add?

Ankush Mahajan: I am talking about the base business.

Ashish Adukia: Yes, so base business has overall done well. In some parts, we have seen some erosion, especially

in the business where we have government supplies. We have seen more in the oral solids. We have seen some erosion. Otherwise, in Albuterol, one of our key assets, we have grown in our market share. Budesonide continues to be a strong franchise for us where we can supply as much as we can. And overall erosion has been roughly in the low double digit, maybe 10%, somewhere

around that.

Moderator: Thank you. Next question is from Neha Manpuria from Bank of America. Please go ahead.

Neha Manpuria: Umang, on generic Advair, once the filing timeline from the US facility was towards the end of

this calendar year, is that still on? I mean, are we on track to file Advair? And that would then trigger an inspection for that facility, right? So despite that, we expect that we'll get approval,

we'll be able to launch the product in first half fiscal 26. Is that correct?

Umang Vohra: Yes, the facility inspection will have to be triggered. You're right about that. I think our filing

batches are currently underway.

Neha Manpuria: And my second question, Ashish, on the gross margin, the quarter-on-quarter improvement, I

know it's sort of flattish, slightly better, despite US being lower, even though acute wasn't as strong, there is some acute impact in this quarter. Tender business is higher. So what exactly happened? Is there anything else? Have we seen a better API pricing environment? What's

helping the gross margin trend?

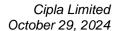
Ashish Adukia: The mix benefit that we have got and like I said in in South Africa there's been tender, but there

are other tender businesses elsewhere which may have come down, but overall it's the mix that

has benefited us for the margin as a gross margin.

Neha Manpuria: Okay, that's the only driver that there's nothing else in terms of the API cost etc. that we're

seeing?





Ashish Adukia: API cost has moderated overall, okay, but there are other costs too. Propellant that has gone up.

Freight that gets captured in the thing has gone up because of the red sea issue. So it's been a

mixed bag out there.

Neha Manpuria: Understood. And from an EBITDA margin guidance perspective, given that we are a little

overshadowed over 26% for first half, I know the fourth quarter tends to be seasonally slow for you. But then, other than the one-off impact that we talked about in the US because of Lanreotide given that India will be significantly stronger. Any reason to still keep the guidance at 24.5 to 25.5? Is there any other cost that we're anticipating which would keep margins lower in the

second half?

Ashish Adukia: No, we are expecting a normalized Quarter 3 and quarter four. I think quarter four is usually

sometimes up 20% kind of a margin. So on an overall basis, we are still staying with the guidance

that we have given.

Moderator: Thank you. Next question is from Bino from Elara Capital. Please go ahead.

Bino: First question, have you seen any pricing impact in Albuterol after the recent competition entry?

Ashish Adukia: Albuterol, see, already there is multiple players out there. Because there is competition, we see

some erosion in Albuterol franchise.

Bino: Okay, so I assume nothing major after the latest competition entry?

Ashish Adukia: Yes.

Bino: Got it. And second, between your Lanreotide 505(b)(2) and generic products, is there a pricing

difference or is it more or less the same?

Umang Vohra: Bino, there will be a difference, but we are not going to comment on that. I think we are

determined by market factors. It's not so much that what we control. I think it's a function of the

market and I don't think that's something that we necessarily control.

Bino: And last question, I believe second wave of GLP1 generic which is Liraglutide towards the end

of this year. Would we be one of them?

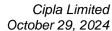
Umang Vohra: Bino, can't comment.

Ashish Adukia: We have not disclosed the pipeline.

Moderator: Thank you. The next question is from Vishal Manchanda from Systematics. Please go ahead.

Vishal Manchanda: A question on the US, basically to understand the concentration risk. Can you share what your

top three products would contribute to the US sales?





Ashish Adukia: No, see again I think it's a differentiated portfolio approach that we have. So we have large

products in our portfolio, but we don't give indication of what concentration level is, again

because of the reasons that we have mentioned earlier.

Vishal Manchanda: Some broad numbers like 40% plus or less than 40% somewhere?

Ashish Adukia: So see, I think the vintage portfolio of oral solids that was there earlier, where there is enough

competition, we mentioned that, that is subject to erosion and that is about 30% of our portfolio.

So, 70% would be more differentiated assets for us.

Vishal Manchanda: And second on your plant in China, would you have filed for approval for the China markets for

the respules, like the Pulmicort respules?

Ashish Adukia: We have got the US FDA approval for facility as well as for the product. And yes, of course, we

look to get China approval as well in the future.

Vishal Manchanda: But we have filed or you are yet to file for the product?

Ashish Adukia: China approval?

Vishal Manchanda: Yes, let Pulmicort respule.

Umang Vohra: We're not giving that level of detail. I am sorry, but you can expect us to be a player in that

market because of the facility in China.

Vishal Manchanda: And just one final one on India. Any thoughts on how do you kind of intend to play in the GLP-

1 space, any in-licensing opportunity that you would be seeking or maybe participating in the

Semaglutide generic opportunity?

Umang Vohra: Yes, Sema generic we will be participating and I think hopefully we will be amongst the first

wave of people to enter in India. In-licensing is always an option for us in deepening our partnership with large multinational corporations that sell categories of GLP-1 drugs. So I think

that is where we are right now from a GLP perspective.

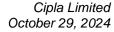
Vishal Manchanda: Are opportunities available for out-licensing? Are innovators open to out-licensing in India? I

understand Eli Lilly which normally out-licensed their products to India hasn't done so far.

Umang Vohra: Yes, I think part of you're right, part of it could be a recalibration of whether they'd like to launch

by themselves or have another partner. But it's also linked to how they view global capacity. Because the initial period, partners are not able to supply product to market for their existing demand. So now that we believe that it resolved, I think maybe some of the discussions could commence again with the partner, with the rest of the people in India who could potentially be

partners for their drug.





Moderator: Thank you. Next question is from Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Just one back on Lanreotide. So the August market share is what you've disclosed. So where did

say September market share for Lanreotide 505(b)(2) plus generic end up at?

Umang Vohra: It will be far lower.

Ashish Adukia: But we have not received the data as well.

Shyam Srinivasan: Should we think of it like at Q1 levels, 20% or even lower than that?

Umang Vohra: No, I think Shyam, the full flow through of what that share would be in September may not come

out because there is still stock that we had a little bit of stock with us. But you will start seeing

that perhaps in October quite significantly.

Shyam Srinivasan: And Umang, your comments that there'll likely be a Q4 bounce back. And are we again talking

about similar market shares like 35 or you think we can go higher post the expansion?

Umang Vohra: I think we can go higher, but it will take some time to ramp up to that. So I think because we are

expecting a period of a month or two months where there would have been no production at all, which we now have crossed because of September and October. So building that stock back into trade and channel, I think it will take a little bit of time. So quarter 4, the bounce back will not

be higher than where Q2 was if that's your question.

Shyam Srinivasan: So maybe we're gunning for 35% share back in Q4. That's what you think.

Umang Vohra: Well, we want to gun for that, but it completely depends on how quickly the partner.

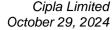
Shyam Srinivasan: My bad. 35 was just one month. So maybe for the average for the quarter slower. So, okay, I get

it. Sorry, my bad. And the second question is just on cash. We have now a billion dollars of cash on the balance sheet. So I just want to understand how are we thinking about capital allocation, either dividends or buybacks or even M&A, if you could outline some of the key priorities for

us?

Ashish Adukia: Sure. So now I can go first on this one. I think it's again what we have mentioned earlier, key

market for us is India, where we would like to grow. So we would look to make acquisitions in India in the domestic formulation space mainly followed by in US. We keep looking at differentiated portfolio, which comes with some stickiness in the revenue and not facing enough erosion where there is some entry barriers. So I think we look at those kind of portfolios in the US and as we speak we are looking at some. And then of course on the return of capital to the shareholders, we have talked about 30% dividend payout. We are already close to that and with the improvement in profits, that should continue to go up. Buyback is a matter of discussion at our board. So that's an active discussion we always keep having when we look at our use of cash.



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Shyam Srinivasan:

Ashish, last follow up. So valuations for assets, is it something that you're seeing as frothy or is it comfortable or are you seeing a lot of assets that are available?

Ashish Adukia:

No, so, just because we have cash, I don't think we will pay more than we think the value of the asset is and the value of the asset depends on what it can do at the base level and what synergies that are available with our business. So in India, certainly there will be synergies. So there can be some value that you can attribute to that. In the US, we're looking at assets that are in the institution side. So more injectables kind of assets where we have built an infrastructure of institutional business through Lanreotide now. The idea would be to also feed that with products so that you can actually realize some economies of scale out there. So yes, these are the strategies that we focus on to make sure that we achieve our internal hurdle rate.

Moderator:

Thank you. Next question is from Saion Mukherjee from Nomura. Please go ahead.

Saion Mukherjee:

Hi, good evening. My first question was regarding the India business. If you can give some color, particularly on trade generics and consumer, so do you think trade generics has recorded growth this quarter compared to last year given the restructuring we have done? And also on consumer, I remember last year was muted. We had seen like 21% growth this quarter. Why are we seeing sort of that volatility and what's more of sustainable growth here?

Ashish Adukia:

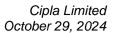
So trade generic I think couple of things, one is season, while distribution model issue that we talked about in the quarter, one which had impacted the financials is complete and there is no reason, that's not the reason for growth not to be normal. I think the season like we talked about in anti-infectives has been weak and it's primarily an acute portfolio so that's been an issue. And also it's certain regulatory changes in certain FDC products etc. has also impacted part of the sales. So overall trade generic is more or less a very small increase over on YoY basis. On CHL, I think we have seen a very smart rebound. I think last year like you said was muted so now this is more normalized growth that we have seen, it's also the growth has been supported by the Astaberry acquisition that we made albeit it should not be very large. But yes, we have seen some growth coming from there as well, out of the 21% growth that we saw in overall CHL. And this growth should sustain because there are strong brands and we are working on growing them.

Saion Mukherjee:

Thank you, Ashish. And my second question was on the tender business. So in South Africa, the vaccine tender, so has that scaled up the kind of numbers we are seeing this quarter or this go for it to sort of go up further? And also if you can share like what percentage of your other business, like outside of South Africa International Business, Ex-US, what is the quantity or what is the percentage of tender sales there approximately?

Ashish Adukia:

See, we got the benefit of certain tenders in this quarter. So tender may remain flat or may come down as well. Overall, like I said, we will still continue to grow between 5% to 10% in Africa. EMEU is a very large market, it's a mix of DTM, B2B primarily, not a lot of tender out there. And that has grown overall as a market that has grown for us at about 18%, but more normalized





growth out there would be, because the dollar market, you should expect about it, again about under 10%, I would say.

Saion Mukherjee: So this is the overall growth in the EMEU, you're referring to Ashish?

Ashish Adukia: Yes, overall EMEU market. We don't give out the breakup because it's large number of

categories like I said out there, DTM, B2B. In different geographies, we have different

approaches.

Saion Mukherjee: Right, but overall on a console basis, you're saying the contribution from tender is not very

significant?

Ashish Adukia: It's not quite significant, yes.

Saion Mukherjee: And if I can just ask one more question. This is on R&D. So that the growth is quite muted. So

how are we thinking? What are the new areas you're planning to invest? And, over the next two quarters and also going forward in fiscal 26, what's the trajectory on R&D spend that you're

expecting?

Umang Vohra: I think the comparison on R&D, yes, Ashish, let me take this. I think, Saion, the comparison on

R&D is also linked to a large-scale trial that was happening in the previous year. So from an already elevated base of R&D numbers, we're showing that muted growth which you're referring to. That's one. Second, I think the topline has expanded quite significantly, which is why you're seeing the percentage coming down a bit. But overall, I think in terms of new areas, oligonucleotides, we're looking at that. Peptides, we have almost completed our full portfolio. We're looking at respiratory assets next year, that's coming up. Our bio asset that we are developing, that has moved into, we'll be moving to phase one. So I think a lot of those for

diversification are happening.

Saion Mukherjee: And do you expect any step up here because of these things or it will take time before the trial

starts on a larger scale?

Umang Vohra: I think the big contributor we have seen Saion is basically when you have to do large scale

clinical trials. That gets added to this base of R&D. So as your products reach to get to that phase

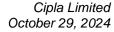
3 or the PD studies, that's when we realize that this gets added.

Saion Mukherjee: Right, so that's a few years out, right? Or do you think...?

Umang Vohra: Well, yes and no. Because the recipe assets may also start in about a year or so, right depending

on the patent outlook. Those would start, I think the phase three on the bio asset could be in the 27 timeframe. So I think some of these will start coming up, depending, some will come in 2026,

some in 2027, I think 25, we should have another 20%.





Moderator: Thank you. We'll be able to take the last two questions. We take the next question from Tushar

Manudhane from Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: So just on Goa, the 483 observations, so in terms of resolving this or sharing the data with US

FDA?

Umang Vohra: No, I think from a Goa perspective, we believe that we have responded to the FDA. And the

FDA has to make its determination.

Tushar Manudhane: So subsequently, has there been any communication from the US FDA in terms of the response

appropriateness or anything of that sort?

Umang Vohra: Yes, the FDA does send us follow-up questions, which we have also replied to. But the FDA

has to make its own determination, which the process is ongoing.

Tushar Manudhane: Sorry to drag on this, but just that, so this is basically the course of actions the company is going

to take as far as resolving the issues on Goa side. But what could be the timeline to implement

those measures and get the issues resolved?

Umang Vohra: So the timelines we have committed to the FDA with over the next six months to a year

perspective from aspects that we have determined are important, but those are, I think the classification of the inspection by the FDA, that data is awaited from the FDA. So we will always

have regular, corrective and preventive action.

Tushar Manudhane: And lastly, sorry, a lot of questions being asked already on Lanreotide, but just maybe one from

my side in terms of the partners facility. Is that the dedicated facility for Lanreotide or is it a

multi-product facility?

Umang Vohra: No, the facility is multi-product. I think the production equipment is dedicated to us or to the

category of product, let me put it that way.

Tushar Manudhane: So, I mean, the expansion of the facility is not just because of the demand, which maybe like C

plus product is seen for the partner is looking for the demand for the other products as well. Is

that the way to understand?

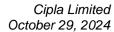
Umang Vohra: Well, on the line specifically, it is to this product, right? But on the overall capacity that the

partner may be planning, it may be linked to other products.

Moderator: Thank you. Next question is from Alok Dalal from Jefferies. Please go ahead.

Alok Dalal: Umang, just to confirm, did you mention about 10% price erosion for the quarter on a portfolio-

wide basis?





Ashish Adukia: So YoY is about 10% on a blended basis overall. So that's on an average basis. QoQ is a low

single digit, so about 3% to 5% roughly.

Alok Dalal: So not much change with respect to price erosion in the US?

Ashish Adukia: Yes and this is including your Exelon portfolio, everything the government tender, everything

put together is 10% YoY.

Moderator: Thank you very much. We'll take that as the last question. I would now like to hand the

conference to Ms. Diksha Maheshwari for closing comments.

Diksha Maheshwari: Thank you everyone for joining in. If you have any further questions, please write it to

investor.relations@cipla.com and wishing you all a very Happy Diwali.

Moderator: Thank you very much. On behalf of Cipla Limited, that concludes the conference. Thank you

for joining us, ladies and gentlemen. You may now disconnect your lines.