

**ALKEM LABORATORIES LTD.**

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11th February, 2025

To,

The Corporate Relationship Department BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001. <i>Scrip Code: 539523</i>	National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai 400 051. <i>Scrip Symbol: ALKEM</i>
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Sub: Q3 FY2025 - Earnings Conference Call Transcript

Dear Sir(s) / Madam,

We enclose herewith the transcript of “Q3 FY2025 Earnings Conference Call” which was hosted by the Company on Friday, 07th February, 2025.

The said transcript shall also be made available on the website of the Company.

Kindly take the same on record.

Sincerely,
For **Alkem Laboratories Limited**

Manish Narang
President - Legal, Company Secretary & Compliance Officer

Encl.: a/a



“Alkem Laboratories Limited
Q3 & FY 25 Earnings Conference Call”
February 07, 2025



**MANAGEMENT: DR. VIKAS GUPTA – CHIEF EXECUTIVE OFFICER –
ALKEM LABORATORIES LIMITED
MR. NITIN AGARWAL – CHIEF FINANCIAL OFFICER –
ALKEM LABORATORIES LIMITED
MS. PURVI SHAH -- HEAD OF INVESTOR RELATIONS –
ALKEM LABORATORIES LIMITED**

**MODERATOR: MR. TUSHAR MANUDHANE – MOTILAL OSWAL
FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Alkem Laboratories Q3 and FY '25 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need



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assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Tushar Manudhane from Motilal Oswal Financial Services. Thank you, and over to you, sir.

Tushar Manudhane: Thank you, Sam. Good evening, and a warm welcome for the 3Q FY '25 earnings call of Alkem Laboratories. From the management side, we have Dr. Vikas Gupta, CEO; Mr. Nitin Agarwal, CFO; and Ms. Purvi Shah, Head of Investor Relations.

Over to you, Purvi.

Purvi Shah: Thank you, Tushar. Good evening, everyone. We appreciate you joining us for our Q3 and the 9MFY '25 results call. Earlier today, we released our financial results, press release and investor presentation, all of which are available on our website and the exchanges as well. We hope you've had the chance to review them.

Before we continue, we want to remind everyone that this call is being recorded, and the transcript will be made available on our website afterwards. Additionally, please be aware that today's discussion may include certain forward-looking statements, which should be considered in light of the risks our business faces.

Now, I hand over the call to our CEO, Dr. Vikas, for his remarks. Over to you, sir.

Vikas Gupta: Good evening, everyone, and thank you for joining us today for our third-quarter earnings call. We are pleased to share that the actions we have taken to improve the overall profitability continue to deliver positive results. By concentrating on higher-margin offerings, better aligning with the market needs and implementing various cost-saving strategies to reduce inefficiencies, we are seeing growth in our EBITDA margins.

Within the domestic market, our focus is on expanding the presence of our flagship brands and strategically enhancing our portfolio. Looking ahead, we are confident that these initiatives will continue to drive sustainable growth and strengthen our market position.

We have also announced 2 acquisitions, Adroit, the pharmaceutical health care company with a focus on dermato-cosmetology, at a cash consideration of INR140 crores. And second is Bombay Ortho, a manufacturer and supplier of automatic implants such as hip and knee implants, which are extensively used in orthopaedic fields at a cash consideration of INR147 crores.

I will now present the key highlights of Q3 and 9M FY '25 financial performance. The total revenue from operations for Q3 was INR33,743 million with Y-o-Y growth of 1.5%. And for 9 months, it was INR98,208 million with Y-o-Y growth of 0.9%. Q3 EBITDA was INR7,594 million, resulting in a margin of 22.5% for the quarter, and an increase of 7.3% Y-o-Y. On a 9-



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month basis, INR21,208 million, resulting in an EBITDA margin of 21.6% and an increase of 15% Y-o-Y.

Q3 FY '25 net profit was INR6,258 million with a Y-o-Y growth of 5.2%, and for 9 months was INR18,596 million with a Y-o-Y growth of 23.8%. In Q3 FY '25, according to IQVIA, the company registered a growth of 6% Y-o-Y against a market growth of 7.2%.

Outperformance was seen in 7 therapies, which are VMN, antidiabetic, GI, neuro/CNS, gynac, respiratory and urology. Our top 50 brands have collectively registered 8% value growth, and 32 brands have increased their market share Y-o-Y basis.

Our company registered a positive volume growth of 1.1% in a challenging market that witnessed a marginal 0.3% volume growth in Q3 FY '25. Amongst the top 12 IPM brands, Pan D has recorded the highest growth rate of 15.5% in Q3 FY '25. Pan saw a 1.9% increase in market share, rising from 38.5% to 40.4% Y-o-Y, achieving its highest market share to date.

As we move forward, we remain focused on delivering strong results, positioning the company for continued growth and driving long-term shareholder value. I want to thank our teams for their hard work and commitment to excellence. We are well-positioned to capitalize on the opportunities ahead, and I'm excited about the future.

We can now open the floor for questions and answers.

Moderator: Thank you. The first question is from the line of Saion Mukherjee from Nomura. Please go ahead.

Saion Mukherjee: My first question is, I think in the last call, you mentioned that there would be some overhead expenses of around INR70-odd crores. Have those expenses started to come through? Secondly, you guided us toward a 19% EBITDA margin for the full year. In 9 months, it's 21.6%, so it seems like you are on course to sort of beat that number if you can give a revised guidance for fiscal '25?

Vikas Gupta: So on the overall margins, I would say we are pretty much on track with the guidance that we gave earlier. Saion, as you know, Q4 is our lowest quarter, and we have a lot of filings that we are going to do in Q4, because of which our spending is also higher in Q4. So Q4 generally is sluggish, whatever, but our estimates are that we should be around 19%, with no guidance. We continue with our that guidance. Your second part was on...

Nitin Agrawal: I think it is about our, say, spending Enzene in the U.S. and for medical devices, right? INR70 crores?

Saion Mukherjee: Yes. Yes. Overheads, you mentioned, I think, INR70 crores start coming in.



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Nitin Agrawal: Yes. So at the YTD level, for both Enzene U.S. plus medical devices together, there was a loss of funding of around INR35 crores to INR40 crores, including both Enzene U.S. operations because that is yet to begin and also the MedTech division.

Saion Mukherjee: No. So I'm just wondering -- so you are saying this is for the full year. I mean, in this quarter, is there going to be a step-up in the expenses? I was thinking there would possibly be a step-up.

Nitin Agrawal: Yes, maybe in quarter 4, it may go up. But YTD level, it was INR35 crores to INR40 crores. And for the quarter, it was INR15 crores, INR20 crores. So in quarter 4, yes, you can see the additional expenses of INR20 crores to INR30 crores, including both the regions Enzene U.S. and MedTech.

Saion Mukherjee: Okay. Additional 20 to 30. Okay. And my second question would be on launches. So firstly, in the U.S., can you indicate if you can name products or otherwise? Are you looking at any low-competition, high-value launches over the next 12 months? And also, do you have any plans with respect to GLP-1 in India?

Vikas Gupta: Okay. So, first, on the GLP-1, we should be amongst the first wave of players who would come in with GLP-1. We have already represented ourselves to the regulator in India. And I think we are pretty much on track to be amongst the first few players who will come up with semaglutide in India at the time of launch.

The other question was on the US. In the U.S., we have got approval for sacubitril-valsartan, that market -- that product is under -- I think there's a -- it's a matter of subjudice. So the market should open up by July. And we should be there on day 1 as far as the new launches are concerned.

There are others -- this year, we had gSuprep. But if you ask me, there are some other launches like carbamazepine extended-release, but it's not a very high -- this thing, which is in '25-'26. For next year, we will have topiramate oral solution, which may -- which we may introduce, which way may come up in the coming years. But no other major launches that we see next financial year.

Moderator: The next question is from the line of Kunal Dhamesha from Macquarie.

Kunal Dhamesha: Sir, one question on other expenses. Is there any forex-related charge or anything that is baked in?

Nitin Agrawal: So, at a YTD level, we are still booking an income with forex gains. But for the quarter, there was a loss. But since at the YTD level, there is a gain, we have reported a forex loss under other income. So, other expenses were not impacted by any forex loss in quarter 3. All the losses on account of forex have been booked under other income. So, there was a loss of around INR20 crores because our exposure in Chile is high. And the currency in Chile, the Chilean peso, actually depreciated against the dollar. So we booked a loss, but that is reflected in other income. But at a YTD level, we don't have any loss. Actually, there is an income on account of that.



Kunal Dhamesha: And sir, YTD level what is the income?

Nitin Agarwal: Around INR10 crores to INR20 crores.

Kunal Dhamesha: Okay, sure. And one for doctor. The GLP-1, where we are expecting it to be in wave 1. In terms of, let's say, manufacturing, et cetera, how are we positioned, fully integrated, partnered? And a broader question on India's growth that has remained subdued for us, right? So where do we see this growth in India's business in the next 1 or 2 years? And what are we doing to combat, let's say, acute therapies continuing to grow slower? And let's say, if I look at the broader healthcare ecosystem, I would still say quarter 2 had seen a lot of acute-related infections, at least on the hospital side, but the acute therapies in -- on the pharma side were lower. So, is there something that is happening at ground level that is why the acute therapies are slower? How do you think about it?

Vikas Gupta: So Kunal, I'll take it one by one. I think your question is more about the overall growth in India. See, our growth in India, even in this quarter, has been reported around 6%. If you see, the branded generic growth is even more -- is even stronger at around 7.5%-or-so, right?

If you look at even IQVIA in Q3, there has been a general slowdown in the acute market. But in this quarter, we have -- our performance has been at par or a shade better than the acute market. The acute market grew at around 5.7%; we grew at 5.9%. So our growth in India is on track. We are very bullish about it. The difference that you see in the market is because a large part of our portfolio is under NLEM. If you look at the volume growth, the market has grown only by 0.3%, whereas our volumes have grown by 1.1% as far as IQVIA is concerned. So, going forward, I would say, in fact, that in Q4, we are expecting even stronger growth as far as our domestic portfolio is concerned. So, when it comes to the overall year-end, we sense that we should be broadly in line with the market as far as overall India growth is concerned. The market is growing at around 7%. We should be pretty much in line with that kind of growth as far as India is concerned.

Going forward, as we make new introductions, our portfolio continues to become more contemporary with launches like GLP-1s, etc. in the future. We clearly look ahead to surpass the market growth. We are also evaluating how the NLEM and the WPI prices in this whole index are moving. And if we get a favourable this year, as you know, we got a 0%, almost 0% kind of price growth on that large portfolio. So, I guess our intent has always been to grow the volumes. So, I don't see anything grossly changing fundamentally. Of course, there is a generic market, there is a Jan aushadhi market, and there is a lot of government spending happening in health care. So, I'm sure these areas are also taking away some part of the growth, but I don't think, from our business perspective, we have any reason to worry about it or slow down because we are in a branded generic business. And all our top brands, as I mentioned, are gaining market share in their respective categories. We are going pretty strong on our big brands getting even bigger. Starting from whether it is a Pan, whether it is a Clavam where we have outperformed, whether it is our price B3, where we have outperformed, whether it is A to Z, where we have outperformed, all these big brands that are there for us. In fact, the 32 brands amongst the top

brands for the company have gained market share on a Y-o-Y basis. So, I think our brand business story is pretty strong, and we will see growth getting even better in times to come as far as that portfolio is concerned. So India, we are very bullish. We are going strong. We are introducing new launches.

With regards to semaglutide, I think we are fully prepared. I cannot divulge where we will manufacture or what we will do. But I can tell you, we are fully prepared with our strategy to get to the market. So it's a product which our R&D has developed, and we will be launching it - I will say we will be first amongst equal. That's the way I look at it.

Kunal Dhamesha: So, sir, this is just a follow-up on that. If, let's say, our branded generic was up like 7.5%, then our trade generics would probably have degrown in a way because trade generic is roughly 20%.

Vikas Gupta: It has been flat.

Kunal Dhamesha: Okay. So what has changed here because this business used to grow at least slightly faster than the prescription business, not just you, but one of your big peers as well degrowth slightly?

Vikas Gupta: Yes. So, in generic business, a lot of newer players have actually come in. There is a lot of pressure on the pricing and competition. Our emphasis there has been to not dilute our margins. In fact, we have improved our margins as compared to previous years as far as generic business is concerned.

So, we are not going after a top line, but we want to have the right balance of our top-line growth as well as the margin. So earlier, the margins are very low. As far as this business is concerned, our margins are now only a shade less than our overall corporate margins. So that's why you can see that- and of course, in generics, a large part of it is acute. So, when the overall acute market has slowed down with increased competition, there is this pressure on top-line growth for the last 1 or 2 quarters that we are seeing, but I'm sure, going forward, that business should also continue to grow at the pace of the market.

Kunal Dhamesha: Sure, sir. So, margins are a shade lesser than the Consol margin or the India margin?

Vikas Gupta: Consol margins. Okay. Okay.

Moderator: The next question is from the line of Rashmi Shetty from Dolat Capital.

Rashmi Shetty: Just again, on India business, earlier, used to basically be very strong in the pain segment, but we have underperformed this entire year. Also, in your cardiac and dermatology therapy, we are underperforming in the market. So, what are the challenges over here? And how should we really look at this? Is it a temporary thing which we have faced in this year and it's going to be strong next year or how should we look at it?

Vikas Gupta: Yes. So, 2 reasons. As far as pain is concerned, last year, we had taken certain price corrections in our portfolio. So, if you look at our volume growth, especially in brands like GEMCAL XT,



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we have reported significant growth in volumes. And that price should now start reflecting in the coming quarters in terms of the overall growth and value as well, right. So, I think that was more of a strategic call to grow the volumes and to grow the units. So on that front, I don't foresee any challenge. See, when it comes to cardiac, we have never been a strong cardiac player, and this is what I think I have always maintained on the call.

Even in our CBD portfolio, diabetes is our major player. And if you look at the antidiabetic market, we are outperforming. So wherever we are present, we are going pretty strong over there. Cardiac has never been a very strong play for us, any which ways, though internal numbers are different from IQVIA numbers, and we have no reasons to worry as far as cardiac growth is concerned.

But anyways, to the overall scheme of things, it doesn't -- because cardiac, we are not a strong player any which way, so it doesn't affect us much. We are going strong where we are present. So that's how I'll address it.

Rashmi Shetty: Understood. So your domestic guidance for this year is around 7%, right?

Vikas Gupta: Yes. Yes, in line.

Rashmi Shetty: Okay. Okay. And in the U.S., any quarter-on-quarter improvement in growth is due to any launch. Is there any new particular launch you have done in quarter 3? And if you can also comment on the price erosion in the U.S. market for your portfolio?

Vikas Gupta: Yes, price erosion is to the tune of around 5%, though on the NRV basis, because we had some forex gains because of the dollar, it's 2.5%. But if you look at its backed by more of our supply getting regularized. Like I had mentioned last year, if you look at March -- till March, we used to have 38% back orders in the U.S. This quarter ended, and we have only 2% back orders in the U.S.

So, if you remember, in Q2, we had reported a degrowth of around 22% as far as the U.S. market is concerned, but this quarter, it's only minus 7%. So I can say that because of our improved supply that we have -- it's not backed by any new launches that we have done in the U.S. It's just that some of the contracts that we had got out of, some of the accounts that we had got out of, we have again slowly and slowly getting back.

So if you look at even for Q4, we are expecting it to be, say, flat because as we are moving ahead from a minus 22%, we are at minus 7%. My sense is that by Q4, we should be neutral as compared to last year. So that's the kind of outlook that I have for the U.S. And for next year, again, that market has its own challenges. The market has its -- the prices keep getting eroded.

We look at price erosion at mid-single-digit kind of price erosion that -- and we expect that to continue even next year. But that should be offset more or less by the new launches that we would do 1 or 2 and the volume growth because of the better stock situation that we have in the



U.S. market now. So next year should be better than this year as far as the U.S. market is concerned.

Rashmi Shetty: So, product launches you're saying will be doing only 1 or 2 next year?

Vikas Gupta: Yes. So, there are 1 or 2 products like varenicline, and we are doing pretty well over there. Product launches will be 1 or 2, but because of a better supply situation now, which we had -- our stocks in the U.S. have come down to very low levels. Now we have good in-market stocks. So, whatever orders we receive, we will be able to sell them. So I expect that also to contribute in the coming year. Of course, it will not be a very high-growth market, any which ways. What I'm saying is our performance will be much better than what it has been in this year as far as the U.S. market is concerned.

Rashmi Shetty: Okay. Got it. And one last question on the margin. You said that guidance is around 19%. Even -- and your quarter 4 FY '24 EBITDA margin was around 13.7%, so even if I take no expansion and a flat margin, still our average EBITDA margin goes beyond 19%. So is it fair to understand that in quarter 4 EBITDA margin, there would be a contraction Y-o-Y?

Vikas Gupta: See, there may be a slight contraction, but while we will try, we are still in the quarter. We will -- we are making efforts because there are certain expenses that we are going to incur in quarter 4 because of additional filings. So, there may be a higher R&D spend that we may have to do because we have to file a lot of products in Q4. We are looking at least 5 filings in Q4. Because of that, our spending may look a little more, so we may be a shade less than last year as far as our margin expansion is concerned, but we are making efforts to see if we can keep it at that level.

Moderator: The next question is from the line of Amlan Das from Nomura, India.

Amlan Das: Sir, my question is regarding the U.S. So, have you done any filings in this quarter? What is the number of YTD -- filings YTD?

Vikas Gupta: 3 filings we have done so far this year and total till Q3, and we are expecting another 5 to happen in Q4.

Amlan Das: Okay. And, sir, any launches this quarter?

Vikas Gupta: This quarter, no launch.

Amlan Das: Okay. Sir, my next question is regarding the acquisitions. So regarding Bombay Ortho. So, I have seen that you have acquired it for around INR147 crores, which transfer turnover is around INR5 crores. So, how do you expect this business to pan out in the near future?

Nitin Agrawal: A few months back, we announced our entry into the ortho business by in-licensing the Exactech technology. Exactech is one of the most popular hip and knee replacement brands in the U.S. So -- in the premium segment, we continue our strategy to launch Exactech, which will be sometime



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in December '25. We are going to launch those -- that product. But that will be in the premium segment. Bombay Ortho, we have acquired to actually capitalize on the growth in the value segment because the value segment in medical devices is growing at a very fast pace, and we wanted to capture it. And so this particular acquisition give us a manufacturing capability also because we didn't have any manufacturing setup for our ortho business. This will give us a capacity of around 2,000 hip and knee replacements, which can be manufactured on a monthly basis, and will allow us to reduce our cost of production of these instruments further or these implants further so that we can capture a good market share over the next 5 years in the value segment of ortho, hip and knee replacement.

So, to give you the market size, it's around INR2,400 crores of annual market, which is in India for hip and knee. And if you look at the segment, the value segment is growing at a very fast rate. And also maybe going forward, this implant can also be covered under Ayushman Bharat. So, considering all these factors, we have acquired Bombay Ortho. Again, I repeat, one is that it provides us with some manufacturing capability; and second is, since we want to also get into the value segment and also maybe gradually into the ROW market because the Exactech deal which we signed was only for the India market. Still, this deal will allow us to manufacture and sell our hip and knee replacement products also outside India, mainly in the ROW market.

Amlan Das: Okay, sir. And the market size is INR2,400 crores today, right?

Nitin Agrawal: In India. Only of India.

Moderator: The next question is from the line of Bharat Celly from Equirus.

Bharat Celly: Sir, I just wanted to get a sense of the overall margins, sir. So how -- since we are expecting our domestic growth to be almost 7% for this fiscal? So we are expecting almost like 10% to 11% for the fourth quarter, and probably our expenses also and even if I take it will be -- so how we are projecting it to the 19% margin for the year? Because unless we achieve the 10% to 11% margin in the fourth quarter, that's sort of margins -- 19% margins should not be possible. So, are we expecting fourth-quarter margins to fall as much as 11% for the fourth quarter?

Vikas Gupta: So Bharat, I'll be very happy if we are able to report more than 19%. At this stage, as I said, our guidance looks to 19%, which we had given earlier at a 19% standstill. But if we may see, we are going ahead with these filings in Q4. So if our R&D spend gets to be in control, then we may even go ahead. But at this stage, I would refrain myself from giving any guidance beyond 19%. That's the whole intent. Because in Q4, we have a lot of expenses, any which ways that we have to cover. Yes, on the overall growth guidance, that's fine. We do not know how international business is going to share. We should be a bit better on that front. So our product mix might change. There may be a change in the overall margin profile for Q4, so that might impact maybe a little bit here and there, but let's wait for Q4 to really get over on that front. 19% is what we are -- because we had given our previous guidance of around 19%. So we -- that holds -- the probability of that is very high is what I mean.



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- Bharat Celly:** Right. And sir, how we are -- how our international ex U.S. margins look like, whether those margins are far lower than our consolidated margins or probably in line with what we report consolidated?
- Vikas Gupta:** You're saying non-U.S.
- Bharat Celly:** Non-U.S.
- Vikas Gupta:** Probably non-U.S. Our margins are better, much better than the U.S. margins and much better than Consol.
- Nitin Agrawal:** Much better than our corporate a bit.
- Bharat Celly:** Right. Sir, are we calling out our trade generic business for this quarter, if you could?
- Vikas Gupta:** Sorry?
- Bharat Celly:** How is our trade generic business?
- Nitin Agrawal:** So, separately, since this business is being carved out from 1st April, as for the estimation. So, we are separately reported in our notes to account for the numbers for this business because, as a stand-alone business, this is considered a carve-out business for us. So the numbers are available in the notes to account for the stand-alone business.
- Bharat Celly:** Right. But can you call out how big was trade generics for the third quarter, if possible?
- Nitin Agrawal:** So, it was around INR488 crores. INR488 crores for quarter 3, and at the YTD level, it is INR1,378 crores.
- Moderator:** The next question is from the line of Madhav from Fidelity.
- Madhav:** On the semaglutide launch, I just wanted to understand that given that a lot of companies are planning to be in the first wave of launch, obviously, given it will be a large opportunity for the country. I'm just trying to understand what is like the right to win for any player. Is it like manufacturing capability to sort of being backwards integrated to make the product, or is it like prescriber access, where your kind of -- I'm assuming you would need to have speciality doctor or KOL access to the kind of get the initial share given it will probably be a slightly more premium product, at least in the initial years. So what will differentiate 1 player versus the other as this kind of launch comes through next year in the country? That's my first question.
- Vikas Gupta:** See, we are looking at a big opportunity in the market. And I don't think any 1 player will be able to service the entire market fully. So, there is enough opportunity for many players as far as this market is concerned. As you rightly said, it's both. It's the ability to have our own product with, of course, good relationships with the subscribers in the market, which will ultimately define how big or how small any player would be in that market. My sense is that it will not be as crowded as any other oral antidiabetics that are patented, and then there will be a sea of



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players. You see almost 50 to 100 players entering with any molecule that goes LOE. My sense is that this will be not as crowded. But of course, still, there will be many players, but I'm sure the opportunity for everyone is quite substantial as far as this market is concerned. Balance, we'll see how it goes when we see these different players coming in.

Madhav: Are we planning to have any production in-house or any -- I mean, there's a fairly like maybe 3, 4 different parts of the value chain that helps you make the final product, but will we do anything in-house, or will it be completely outsourced from a margin perspective?

Vikas Gupta: We have all of this solved for. We'll give you the details closer to the launch. But our strategy is very clear as far as this product is concerned.

Madhav: Got it. And my second question was just on the --, please correct me if I'm wrong, is there -- has been a rise in PenG prices recently? And if there has been like, how do we anticipate the impact from that? And just on the second one was bit on the forex. Does the forex depreciation, is it like net positive or negative from Alkem's perspective?

Nitin Agarwal: So I'll first take the PenG part. PenG, we see in the last 2 months, the price is going up. So there is around 20%, 30% -- 20% to 25% price increase from where it used to be a couple of months ago. We are seeing that trend, but we've not had a recent -- as I always said, month-to-month fluctuation doesn't affect us to that extent because we continue to hold certain inventory, right? So, I think if this trend continues over a period of time, then we will have an impact. Our sense is that it should stabilise at some level going forward. What was your other question on.

Madhav: Just in the forex bit, like there's been like 4%, 5% depreciation in the country. So for our business, given that we have some exports, but we also probably import some raw materials given you have a large India business. So is Forex a net positive or negative for us, or is it neutral? Doesn't it impact that much?

Nitin Agarwal: Always -- since our international business is around INR4,000 crores, so definitely it is positive for us because our export is higher than our import. So, on an average, it's 1%, say, appreciation in the dollar, and we gain between INR10 crores and INR20 crores, depending on the mix.

Moderator: The next question is from the line of Neha Manpuria from Bank of America.

Neha Manpuria: Sir, I just wanted to check on the trade generic comment that you made. If I look at the year-to-date number, we seem to have grown about 7% in this business. And I think there was a presentation that you guys have put up where you said that you expect the market growth to be more in the low to mid-teens sort of a number. So -- is it just the competition that is impacting the growth, or has the overall market growth slowed? And as we think about our, Alkem's trade generic business, should that then, therefore, because of this competition continue to lag industry growth? Just trying to understand how I should think about the trajectory for this business.

Vikas Gupta: So, in the absence of any organized data being available for the generic market, I can't give you specific numbers, but what I can tell you is what we are seeing in this business. In this business,

we see, one, because the large part of this business is acute business, the large part of this business is in Tier 2, Tier 3 business -- sorry, Tier 2 to Tier 3 town, right? We have seen a slowdown over there in the last 2 quarters owing to either -- you may call it a seasonal slowdown, or you may call it an economic slowdown, whatever may be the case. We have been seeing some pressure on that business in the last 2 quarters. I don't think going forward, on a long-run basis, there should be a big slowdown over there because, traditionally, this business has behaved in line with how the branded generic business has been. Of course, there were also certain internal measures that we took. As I mentioned that our focus was not only on the top line but also on improving the margin profile, which meant that we wanted to maintain pricing, which meant that we wanted to be -- we -- don't do business at certain levels of margins. So, I guess that is the reason that the recent quarters have shown some sluggishness over here. We are pretty -- very bullish about this business in the coming years. Of course, it will not be a very high mid-teen kind of growth -- kind of growth business in the coming years. But yes, somewhere, a high single-digit kind of outlook is what I will have for a mid-to-high single-digit kind of growth outlook is what we will have for this business.

Neha Manpuria: Understood. And from a -- for the branded generic business, I just wanted to understand what our MR count is now. And do we plan to increase that given the volume focused growth that we have?

Vikas Gupta: So our count has remained the same. It's not a very high expansion that we have done. Going forward, I've always maintained as and when there will be a right opportunity, we won't shy away from adding people because this is our core business, this is our highest priority business. So, whenever there is an opportunity to add people over there, whenever there is a business need to do so, we would do that. Nothing in the near term is what we are doing. In fact, we will add maybe when we launch some new products that need different teams.

Neha Manpuria: And even with the acquisition of the derma-cosmetology, you don't think any incremental investment in terms of field force, et cetera, is required to grow that business?

Vikas Gupta: So, along with that business, we are also getting a team of around 90 people. So I think that should be sufficient to run that business. There may be minor 10 or 20 people here or there that we may need to add to that, but nothing that puts a very high load on. Of course, that's a strategic move that we have been looking for a long; it's a good business. It's a nice brand that's there in the market. Cosmetology was one area that we have wanted to enter for a long. So I believe this is the right strategic fit for us. This acquisition really gives us a better foothold as far as the derma-cosmetology market is concerned. So I think it will add a lot of value to our business.

Neha Manpuria: Understood. And my last question from a capital allocation perspective: while these deals are fairly small, we have a fair bit of cash. How should we think about Alkem looking at slightly larger acquisitions? I understand your priority will obviously -- as obviously in India, but is there any comfort level that you're looking at from an acquisition perspective? And could we even look at larger deals probably in MedTech?



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- Vikas Gupta:** So, we've always said -- we've clearly defined our focus areas, right? Our first priority would be anything that we get in the India formulation business. If -- because we believe that at our scale, we can clearly add synergy, clearly add value to any acquisition. And like you rightly said, we are building the war chest as well. We have good cash on our balance sheets. In fact, our cash position has improved substantially in the last 1.5 years. So, we won't shy away from anything that makes it the right fit for us and adds a lot of value in the times to come. Of course, MedTech, we have just made 1 small, I would say, acquisition. But going forward, also, it's an area of priority for us. If there is anything that comes at the right value, we would definitely consider it.
- Neha Manpuria:** And between branded Rx and MedTech, your preference would be for -- which, I mean, if I have to just rank the order of priority?
- Vikas Gupta:** See, of course, branded Rx is our core. Branded Rx is where we can create more value, but acquisition is not something that you can do at your will, and there has to be a seller for there to be a right buyer. Now, of course, the seller has to have the right price. So we can't -- we are not going after any and every asset that's there. We evaluate. We look at the strategic fit and then we look at the various funding options. But if there is something where we feel that we can create more value in terms of even on the MedTech side, we would parallelly evaluate that as well.
- Neha Manpuria:** Understood, sir.
- Nitin Agarwal:** And to give more clarity. See, on MedTech, maybe over the next 3 or 4 years, we may not go beyond INR2,000 crores to INR2,400 crores or INR2,500 crores of investment. That is what the plan is: a max of INR2,500 crores. This is what we are going to do in MedTech. And that is, I think, good enough considering the market size of ortho and cardiac in India. So -- and also currently, we are in 0 leverage. So we don't have any loans in our books. The net cash position is around INR4,700 crores. But still, a lot of the cash is available, and also, we can go for leveraging our balance sheet. So, it's all about the right opportunity, which we're looking for in the branded pharma business.
- Neha Manpuria:** And what's the investment we made so far, sir, in MedTech, the 2 acquisitions, the cost, it wouldn't be more than INR200 crores, INR300 crores, right?
- Nitin Agarwal:** Exactech, the deal was for around INR133 crores, and this is INR147 crores. So altogether, it is INR273 crores.
- Moderator:** The next question is from the line of Foram Parekh from Bank of Baroda Capital Market.
- Foram Parekh:** My first question is on semaglutide. You can just explain or throw some light, like what is the size of -- the market size you are all expecting in India? And since there are many players who want to enter in the first wave, so how are we strategizing? Like is it end-to-end manufacturing, including the device or through some strategic partnerships, some sense if you could give us on semaglutide?



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- Vikas Gupta:** So I think I've already answered this question. The only thing is on the market size front, see, currently, the market is around INR500-plus crores already, right? But it's a single-player market as of now, and it's only orals. The injectable GLP-1 is not even introduced in India. We expect that to be another large market -- as come to -- in line with what the oral market is, right? So, I think that is on the market front. With regard to our strategy, as I said, we have developed our own product. Our R&D has worked and made the product. So we will -- we are in full control of this. We are not depending on any -- like it's not a P-to-P kind of product that we are looking at. So our filings have already been there on the regulator side, where we will be -- we will have to conduct a clinical trial, which we will do and introduce the product to the market.
- Foram Parekh:** Okay. So now -- since now we are guiding for in line IPM growth, which is at 7%. So once the semaglutide gets launched, do we anticipate growing higher than the IPM because of the demand and maybe going north of 10%-or-so?
- Vikas Gupta:** So, of course, not 10%. But yes, because semaglutide will also add to the market growth as well because it will be a new market which would have come. So I'm hopeful that the market growth would also move up. But like I said yes, yes, these launches would definitely help us grow faster, especially on the chronic side, and my expectation is that we should surpass the market growth by at least 1% or 2%. Now, that also depends on the NLEM side, what kind of price lever we get in the coming year as a growth because a large part of our portfolio is an NLEM portfolio, where we have only volume growth as a lever. And in volumes, we have surpassed the market. But if that is more favorable for us, then our overall value growth also goes up. But yes, that's how we anticipate this to play out.
- Foram Parekh:** Okay. Sir, could you please quantify your NLEM portfolio percentage in sales right now? How much would it be?
- Vikas Gupta:** Around 30%.
- Foram Parekh:** 30%, okay. My second question is on the non-U.S. side. So I see there's a degrowth there. So, could you please explain what went wrong? I mean, why is there a negative growth this quarter?
- Vikas Gupta:** It's largely from one of our large markets, which is Chile. In Chile, we have 2 issues: one is some tenders that we came out of, and the second is the exchange rate. So the currency actually played spoilsport over there. So because of that, Chile, which is our one of the largest non-U.S. markets that has shown almost 30% degrowth, which is where our overall non-U.S. growth is looking sluggish. But if you look at the other markets, say, Australia, we have grown pretty strong. If you look at some other non-U.S. markets, our growths are fine. It is largely on account of, I would say, Chile, where we have had this.
- Foram Parekh:** So has the situation stabilized, or do we expect the same kind of situation, and therefore, even in Q4 also we -- should we anticipate negative growth?



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- Vikas Gupta:** No, it should not be negative in Q4 because we expect the situation to be more stable. Of course, and see, nobody can predict how that will move. But our sense is that the overall position should stabilize. So, in Q4, we should have better performance as far as non-U.S. markets are concerned.
- Foram Parekh:** Okay. And one last question, if I may. So, since we are talking about 5 filings in Q4 and increasing the R&D spend. So could you please throw some colour on what the R&D percentage is for sales we're anticipating? Is it like -- I mean, is it likely to go up more than the normal trend and the 5...
- Vikas Gupta:** We're looking at around 4.5% to 5%, somewhere in that range.
- Foram Parekh:** Okay. And the 5 filings that we have done, could you just give us some nature of what are the filings? I mean, is it a pure generic one or a high value...
- Vikas Gupta:** No, Foram, we have done 3 filings right now. We'll tell you the filings after we file the other products. But it's all -- as of now, it's largely generic in nature.
- Moderator:** The next question is from the line of Shrikant from Nuvama.
- Shrikant:** The first question is on the Pithampur unit. So we have recently divested that unit. Sometime back, we also divested St. Louis after which there was a lot of cost optimization benefit that we have got. Any such opportunity because of Pithampur unit?
- Nitin Agrawal:** So we have entered into an agreement for selling off the Indore, Pithampura unit because, see, for the last 4, 5 years, we've not been using it. So, strategically, it was not making sense for us to retain that unit, and it was a kind of inoperative asset. And so it was decided to sell off. So I don't see any impact on our operations because of this sale because there were no sales happening from this unit for the last 3 or 4 years.
- Vikas Gupta:** I think your question is around opex. Is it?
- Shrikant:** Yes, yes, yes. On the cost optimisation and benefits?
- Nitin Agarwal:** The additional spend of around INR8 crores, INR10 crores a year.
- Vikas Gupta:** That was also mainly on account of depreciation. So, at the EBITDA level, there will not be any significant -- yes.
- Shrikant:** Understood. Now, on the Enzene, another of our CDMO units will be becoming operational in FY '26. So how should we think about the overall business because we have a Pune unit, which is -- which had just broke even, I think, deferred R&D. So how should we think about this unit?
- Nitin Agrawal:** Talking about Enzene U.S.?
- Shrikant:** Yes. No, Enzene, Pune, because that has been -- that is still struggling with respect to profitability.



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- Nitin Agrawal:** So Enzene -- means, including sales of products, we do from Alkem for products which are manufactured in Enzene, we have done a sales of around INR200 crores at YTD level, and our estimate is to close at around INR300 crores for FY '25. So we can assume growth of around 15% to 20% in next year from the Pune unit. We are also expecting approval for 2 countries outside India. So maybe in the next analyst call, we'll be able to share more visibility on it.
- Shrikant:** Understood. And one last question following up on GLP-1. Now, this is -- this looks like a large opportunity because when we see the numbers in the U.S. in the last 2 years, they have substantially grown, do you think that even in India, once the generic appears substantial volume growth is possible and you might consider potentially the other ways which are used to lose the weight, so that will also get converted in volumes.
- Vikas Gupta:** Sorry, I didn't get -- you mean it's a large opportunity -- it might turn out to be a big opportunity?
- Shrikant:** Yes, substantially large leading to maybe INR3 crores, INR4 crores, INR5 crores within a couple of years in volumes.
- Vikas Gupta:** In terms of volume?
- Shrikant:** Yes, yes, for the drug, for the molecule.
- Vikas Gupta:** I would say let's wait for a few more months. We'll get to know how large the opportunity turns out to be. Of course, it's a no-brainer and no secret that the world over, the acceptance of GLP-1 as a category has been very good. I don't see any reason why India should be any different. But, of course, it will have to be used for the right patients. That is what we would advocate for it. So, let's see how it turns out to be. Our sense is also that it should turn out to be a fairly decent opportunity.
- Moderator:** The next question is from the line of Naman Bagrecha from IIFL Securities.
- Naman Bagrecha:** Sir, just one clarification. I mean, you highlight -- you guided for 7% growth in the India business for the full year. And if we look at the first 9 months, I think you have grown at only around 6-odd percent. So, I mean the implied growth for the fourth quarter comes at around 11%, 12%. So, I just wanted to know what are the growth levers for the same and whether my understanding is correct or not.
- Vikas Gupta:** So, I think the calculations are fairly close. It comes to around 9.5% to 10% if on the overall domestic side. And we are pretty confident of delivering the same because of a lot of reasons, like I said, our secondary offtakes are good. Currently where we are standing in terms of the monthly run rate, if we just extrapolate that, I think we are very hopeful we should be able to touch that kind of performance in Q4.
- Nitin Agrawal:** Also, last year, quarter 4 was not that good for us. So it's also maybe a base effect. Yes.



- Naman Bagrecha:** Okay. Okay. Secondly, on ROW markets, you highlighted there are some issues in Chile. So, I mean, is it that we didn't have any tender, and we are going to get some, let's say, contracts or supplies? I mean can you help me on that front? And how should we look, let's say, on a sustainable basis, this piece of the business?
- Vikas Gupta:** So in the previous year, we had -- we were supplying because we had qualified for 1 tender. Now this year, the pricing has been such that it didn't make sense to participate in that tender. So that is why we've not had that business in this year. But otherwise, if you look at the retail side and the other side, our base business continues to do well. The other reason has been on the currency side, which I also mentioned, which is the reason for the overall degrowth of Chile as a market. But I think that is also getting stabilized now. So, that's why we are very hopeful that Q4 should be better as compared to Q3.
- Nitin Agrawal:** And overall, I think for the non-U.S., I think we have given a guidance of 13% to 14% of growth going forward.
- Naman Bagrecha:** So you expect to participate in tenders, let's say, in FY '26...
- Vikas Gupta:** It's a mix of tender plus retail, certain markets, and certain tenders that keep coming. So it's more of that.
- Naman Bagrecha:** Okay, okay. And on the U.S. piece, I mean, you have highlighted in the earlier call that there is 1 CBD-exclusivity product, which might come in 3Q or 4Q. So I'm not sure if that -- I mean, definitely, I mean 3Q we haven't launched. So what's the, let's say -- and could you help me out on that front? I mean, which product is this? What could be the, let's say, our sales opportunity?
- Vikas Gupta:** You are talking about Azilsartan?
- Moderator:** Sir, there was a participant who had kept the line on hold.
- Vikas Gupta:** Okay. Understood. So I think the question was on CGT exclusivity of some product, is it?
- Moderator:** Mr. Bagrecha.
- Vikas Gupta:** I think he's not there.
- Moderator:** He has moved out of the queue. As there are no further questions, I would like to hand the conference back to the management for closing comments.
- Purvi Shah:** Thank you all for participating in today's call and contributing to a meaningful discussion. If you still have any unanswered questions, please feel free to reach out to us. Thank you, all.
- Vikas Gupta:** Thank you. Thank you, everyone.
- Moderator:** Thank you. That concludes this conference call. On behalf of Motilal Oswal and Alkem Laboratories, thank you for joining the conference call. You may now disconnect your lines.