



# GLAND PHARMA LIMITED

August 11, 2023

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(East), Mumbai - 400 051  
Symbol: GLAND (ISIN: INE068V01023)

Dear Sir/Madam,

**Sub: Earnings call Transcript- Q1FY24**

Please find enclosed the transcript of the Earnings call for Q1FY24 of the Company held on Monday, August 07, 2023, at 19.30 Hrs IST. This will also be available on the Company's website and the web link to access the same is <https://glandpharma.com/investors/financials>

This is for your information and records.

Yours truly,  
**For Gland Pharma Limited**

**P Sampath Kumar**  
**Company Secretary and Compliance Officer**



“Gland Pharma Limited  
Q1FY'24 Earnings Conference Call”

August 07, 2023



**MANAGEMENT: MR. SRINIVAS SADU – MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER  
MR. RAVI SHEKHAR MITRA –CHIEF FINANCIAL  
OFFICER  
MR. SUMANTA BAJPAYEE – VICE PRESIDENT,  
CORPORATE FINANCE AND INVESTOR RELATIONS**



**Moderator:**

Ladies and gentlemen, good day, and welcome to the Gland Pharma Limited Q1FY'24 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sumanta Bajpayee. Thank you and over to you, sir.

**Sumanta Bajpayee:**

Thank you. Good evening, everyone. Warm welcome to Gland Pharma's earnings conference call for first quarter of financial year 2024. I have with me Mr. Srinivas Sadu, MD and CEO; Mr. Ravi Shekhar Mitra, our CFO, to discuss business performance and to answer the queries during the call. We will begin the call with the business highlights and overview by Mr. Sadu, followed by financial overview by Mr. Mitra. After opening remarks from management, operator will open the bridge for Q&A session. Our earnings presentation has been submitted to the stock exchanges and is also available on our website.

Before we proceed with the call, please note, some of the statements made in today's discussion may be forward-looking in nature and are based on management estimates and this must be viewed in conjunction with the risks and uncertainties involved in our business. The safe harbour language contained in our press release also pertains to this conference call. This call is being recorded and the playback of this call will be made available shortly on our website. The transcript of the call will be submitted to the stock exchanges and also will be available on the website.

I will now hand over call to Mr. Sadu for his opening remarks.

**Srinivas Sadu:**

Good evening, everyone. Welcome to our earnings call for the first quarter of fiscal year '24. I want to start the call by wishing you and your family good health.

We have started the financial year on a positive note and the first quarter has demonstrated the same. We have achieved a total revenue of INR12,087 million for the first quarter of the current financial year. On a Group level, we have also recorded EBITDA of INR2,982 million with a net profit of INR1,941 million. As we completed the Cenexi acquisition during the first quarter, a straightforward yearly or quarterly comparison is not relevant. And hence, I will explain the business performance separately for better clarity.

On our base business, during the first quarter of the financial year 2024, revenue from operations grew by 4% as compared to the corresponding quarter of the previous year. The company has improved gross margin, both year-on-year and quarter-on-quarter sequentially due to favourable geography and product mix. On base business, the company maintained a healthy EBITDA margin of 30% and a PAT margin of 21% during the quarter.

Three of our sterile plants were recently inspected by U.S. FDA. And the outcomes of the inspections demonstrate our relentless commitment to being a quality-focused and regulatory-compliant company. Maintaining an unwavering focus on quality and regulatory compliance establishes trust with customers, partners and regulatory authorities and can open doors to new opportunities and collaborations.



The total R&D expense for Q1FY'24 was INR457 million, which is 5% of revenue from operations. During the quarter, we filed 5 ANDAs and received approval for 9 ANDAs. As of June 30, 2023, we and our partners have put together 337 ANDA filings in the United States, of which 270 were approved and 67 were pending. The company has a total of 1,620 product registrations globally.

On our Cenexi business, on April 27, 2023, we acquired 100% of Cenexi and accordingly, two months financials have been considered in the consolidated financials of Q1FY'24. For the two months, Cenexi clocked revenue of INR3,214 million with gross profit margin of 76% and EBITDA of INR347 million. During the second quarter of every year, Cenexi sites will be having up to 4 weeks of annual summer shutdown.

As we transition from pre-closing efforts to post-acquisition integration, a dedicated cross-functional team has been formed to drive Cenexi integration. A precise function-by-function integration plan is developed to solve existing operational issues and maximize synergistic benefits. The team's primary focus will be on expediting existing business transformation programs and driving required functional tasks. Efforts are also being made to develop a shared long-term business goal for Cenexi and Gland businesses as well as to identify new opportunities that can be targeted using the combined capabilities of both entities and to align collaboration and governance mechanisms for the successful delivery of integration initiatives.

With this, let me take you through the business highlights across various geographies. On a Group basis, the increased revenue from Europe and Rest of the World is a result of Cenexi's consolidation. Our base business, after excluding Cenexi's financials, has shown positive business traction. Our core markets of the U.S., Europe, Canada, Australia, and New Zealand accounted for 75% of revenue during Q1FY'24 as compared to 82% in Q1FY'23. Total sales for U.S. market grew by 23% on a quarter-on-quarter basis and declined by 8% on a year-on-year basis.

During the quarter, we launched 23 molecules in the U.S. market, including Regadenoson, Ganirelix, Neostigmine & Glycopyrrolate Injection. We have also seen a higher volume increase on some of our old products, such as Esmolol, Caspofungin Acetate, Rocuronium, Heparin and Acetylcysteine. Last year, we witnessed a business loss due to exit of our 2 key customers. I'm happy to inform you that most of the products from that portfolio have now found a new home and are in various stages of launches.

Along with the U.S. market, we are also seeing an increase in sales in European markets. Our Rest of the World markets accounted for 18% of our Q1FY'24 revenue compared to 12% during Q1FY'23. We have seen 62% year-on-year growth in revenues for the quarter, primarily driven by the GCC market. We maintained the inventory of raw materials and packing materials to be able to cater to the demand. Our key markets continue to remain MENA, LATAM and APAC and we put effort into driving new partnerships and increased geographical penetration.

The India market accounts of 7% of our Q1FY'24 revenue and has seen growth of 27% as compared to the same quarter last year.



I now hand over the call to our CFO, Mr. Ravi Mitra, who will share some more insights about our financial performance for the quarter. Thank you very much. Over to you, Mr. Mitra.

**Ravi Shekhar Mitra:**

Thank you, Mr. Sadu. Good evening, ladies, and gentlemen. Thank you very much for attending our first quarter earnings call. Our earnings presentation has been uploaded to the website.

Let me begin by sharing the financial performance of the first quarter of the financial year '23-'24. We completed the Cenexi acquisition during the first quarter and two months Cenexi's results has been consolidated in this quarter. During the first quarter of the financial year 2024, revenue from operations at INR12,087 million grew by 41% as compared to the corresponding quarter of the previous year, of which 37% was contributed from inclusion of Cenexi revenue and 4% from the growth of base business.

Other income for the first quarter of the financial year 2024 was INR375 million, which includes largely interest on fixed deposits of INR351 million. There were no foreign exchange gains for the quarter. Instead, we had a foreign exchange loss of INR42 million, which gets included in the other expense line item in the results. Foreign exchange gain during the same period in the previous year was INR342 million.

Gross margin for Q1FY'24 was 63%, a significant improvement as compared to 56% in Q1FY '23 due to the high gross margin of Cenexi. Being a CDMO company, Cenexi enjoys a high gross margin. And during the period of May '23 and June '23, they reported a gross margin of 76%. On the positive side, our base business has also witnessed an improvement in gross margin on both a yearly and sequential basis due to improved margins from the U.S. portfolio.

On a consolidated basis, we have reported an EBITDA of INR2,982 million in Q1FY'24 and an EBITDA margin of 25%. On ex-Cenexi basis, the base business maintained a healthy EBITDA margin of 30%.

In Q1FY'24, we witnessed an increase in power and fuel cost by 46% year-on-year basis due to high power and fuel cost at Cenexi. On our base business operation, we witnessed a 14% reduction in power and fuel cost during this quarter as compared to the same period of the previous year.

In Q1FY'24, manpower cost increased by 160% year-on-year basis due to the acquisition of Cenexi. On our base business operation, we witnessed a 6% increase in manpower cost during this quarter as compared to the same period of the previous year, which is in line with internal estimates.

Our net profit for the first quarter was INR1,941 million as compared to INR2,292 million during the corresponding period of the previous year, a decrease of 15%. Whereas the EBITDA grew by 10%, increase in depreciation at Cenexi and foreign exchange loss for this quarter compared to the FX gain in the previous year have led to a decrease in PAT. The PAT margin for the quarter was 16% and the effective tax rate was 25.7% for the quarter.



The total R&D expenses for the first quarter were INR457 million compared to INR410 million for the same period of the previous financial year and stood at 5% of the revenue from operations on an ex-Cenexi basis.

Cash flow from operations for the first 3 months of the current financial year was to INR629 million. Cashflow from operations during the quarter was impacted due to the normalization of the working capital cycle at Cenexi following our acquisition. Cash conversion cycle stood at 233 days for the quarter, an improvement from the March '23 level. We had a high inventory and receivable level at the beginning of the year, which has improved considerably during the quarter. We continue to monitor the working capital level to improve the cash flow from operations.

Total capex incurred during the quarter was INR687 million, largely spent on our suite 9 Combi-line. We are adding new capabilities of Microsphere Combi-line, additional Bag line in Pashamylaram facility in Hyderabad.

Our ROCE on an ex-cash basis stood at 13% and fixed asset turnover at 1.9x for Q1FY'24. As of June 30, 2023, on a Group level, we had a total of INR20,418 million in cash and equivalents. Due to loan on Cenexi's books to the tune of INR4 billion, our net cash position was INR16,356 million on 30th June, 2023.

On Cenexi, we advanced to the post-acquisition integration stage in order to meet the strategic goals defined during the pre-closing stage. Cenexi integration is being pursued by a dedicated cross-functional team and a detailed function-by-function integration strategy is being developed to optimize existing operations and realize synergistic benefits. The management team remained dedicated to the success of this acquisition. In this regard, we have begun to assess Cenexi's future cash requirements for capex, which will drive operational improvements and the creation of assets to accomplish future growth.

With this, I would request the moderator to open the lines for questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Tanmay from Mirae Asset. Please go ahead.

**Tanmay:** A couple of questions from my side. So first on the synergies that you spoke about. Could you give some more granular details as to what kind of synergies are we expecting maybe on the cost side or in terms of product portfolio? And secondly, in terms of overall cost for this, would there be any one-time costs that would be coming?

**Srinivas Sadu:** So, on the first question, on the synergies, there are several, I would say. They have a few technologies which we don't have. So we are now coming out of the portfolio which we can make in that side, especially they have an oncology pre-filled syringe technology which we don't have and there are some CDMOs which are using that having good profitable products. We also manufacture coloured products. Again, the competition is very less in those products. And then also some sterile gels, they have technology in that as well. That's from the technology perspective.



We're also in touch with several strong partners whom they have who are looking at taking our products to rest of their own markets and some to U.S. as well. We have shared some products with them and they are in discussions. So there also, it's a chance of our products going into other markets through this network.

Some of these partners have getting manufactured at this site for Japan and some of the markets where European costs are still workable, but they're taking these products from some of other manufacturers because of the cost benefit they get from ROW. So those are the products we're also discussing if they can move to India. So there are several areas where we are looking at some synergies perspective. Also, the cost benefits we're looking at, currently, they source a lot of materials from European suppliers. So we identified the areas where we can coordinate and also make a common purchase so that there will be improvement in costs on the second question?

- Ravi Shekhar Mitra:** Yes. On the opex cost, there is no which is anticipated at this point of time.
- Tanmay:** So, no one-off costs would be coming, right, in terms of consultancy or any other targets?
- Ravi Shekhar Mitra:** No, all the M&A-related costs has been spent. But the one we are working on are integration, that would be there. Other than that, there is no anticipation for any other costs.
- Tanmay:** Okay. And what could that be in terms of quantum, if you could just roughly, if you could just share?
- Ravi Shekhar Mitra:** No, we cannot. It's not a significant amount at all.
- Srinivas Sadu:** That's more on a consultancy fee or charge for the to do the post-merger integration. So that's not substantial.
- Moderator:** Thank you. The next question is from the line of Neha Manpuria from Bank of America. Please go ahead.
- Neha Manpuria:** My first question is on the U.S. base business. We've seen a very strong pick-up quarter-on-quarter. And I think, sir, you mentioned in the opening remarks that the 2 customers where we've been able to shift the volume to newer customers. Has that been reflected in this quarter or should I assume that flowing through on the 72 million that we have reported in the quarter?
- Srinivas Sadu:** So, what I would say is out of 23 molecules which we launched, 7 molecules are new molecules. These are new launches, 15 are the relaunches. So combination for the 2 companies who have got out this business, but there are another 12 to 13 products, which will get launched next quarter. But I would say this is like a relaunch. So the business will only grow from now because these are just large quantities, which went as supply.
- Neha Manpuria:** Okay. So it's fair to assume that we should build that on the 72 million that we have reported in this quarter?
- Srinivas Sadu:** Yes. So more launches will be coming. So yes.



- Neha Manpuria:** Understood. And sir, what was the profit share in this 72 million or the profit share number, the percentage of total sales that you mention usually?
- Ravi Shekhar Mitra:** Yes. So it is 11% on the standalone basis. If you consider revenue of standalone, it is 11%.
- Srinivas Sadu:** 11% on a standalone basis, yes.
- Neha Manpuria:** Okay. Got it. My second question is on the ROW business. If I look at that number quarter-on-quarter for the ex-Cenexi business, that's actually come off. We haven't seen any improvement. So I'm just trying to understand, are the supply issues that we saw last year, have they not fully been dissolved? Are there any tenders that we are not being able to capture? How should we look at that ROW business with?
- Srinivas Sadu:** So it's a concentration. Some of the products where it's very low margin, especially the Enoxaparin and Heparin. Because it's a low-margin business, it's time to focus on the high margin. Now that the revenue we have high revenue coming from Cenexi business also, I think it's time for us to increase profitability. That's the idea, at the same time, making it more efficient in terms of operations. That's the only reason.
- Neha Manpuria:** So, then is there more such, let's say, the exit of the low margin that we see on ROW business or most of it is done and dusted and now we should get back to grade?
- Srinivas Sadu:** I think most of it is done because a specific focus on these 2 molecules where we're only going after the markets where we're still able to get some profit on these molecules. But otherwise, we have kind of slowed down on that, but I think it's kind of settled.
- Neha Manpuria:** Understood. And therefore, how should we look at growth for the ROW businesses? I mean, should it be what we were doing historically, the double-digit growth or is it be a more gradual build because we still need to develop the Cenexi portfolio and then growth?
- Srinivas Sadu:** I would say, it should consider to the gradual business growth because I think we have -- from a priority perspective, Cenexi business has a lot more to gain. So a lot of efforts are going into that in terms of how to grow profitability on that business because the opportunities are plenty there.
- Neha Manpuria:** Understood. And my last question on Cenexi. The 4-week annual shutdown that you mentioned, since this is a planned shutdown, is it fair to assume that this won't impact our top-line in a very meaningful way because you would have built inventory to meet the requirements for the quarter? Would that be a fair assessment on how we should pencil in this shutdown?
- Srinivas Sadu:** Yes. on an annual basis, it's a common thing every year that's why we made that announcement. So, on a quarterly basis, if you look at the current quarter from May and June, we have considered 2 months' consolidation. So for the next quarter also, probably it will be in that similar range.
- Moderator:** Thank you. The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.





**Shyam Srinivasan:** Just my first question, again, just on the U.S. business. So, it declined 8% Y-o-Y, maybe constant currency maybe a little lesser than that perhaps. So I just want to understand, how should we look at the path forward? And if you could also help us understand what is the kind of pricing erosion, especially on injectable products?

Is that something that we're hearing commentary about the oral solids actually improving or price stability is a common used word by multiple management. So what are you seeing? I know it directly doesn't impact you, but just from your experience of what your customers are experiencing on injectables? That's the first question.

**Srinivas Sadu:** So, kind of price erosion kind of it's neutral. If you look at our growth coming from quarter-on-quarter, the growth came from new launches, about 10%, 11% and volume growth about 4%, 5%. But from prices, it's almost stable. I think 1% negative or something. So it's almost stable. So I would say, there's not much price erosion happening at least for the base portfolio what we have launched.

**Shyam Srinivasan:** The 15% is the constant currency growth? Is that what you're calling out Q-o-Q?

**Srinivas Sadu:** from the INR perspective rate.

**Shyam Srinivasan:** Your Q-o-Q growth is 23%, so I'm whatever you've given in rupee million. So I'm just looking at your press release.

**Srinivas Sadu:** So I'm only talking about products. We also have a milestone and profit share coming up separately. But from the product perspective, 11% coming from new launches and about 4% coming from volume growth of the products what we launched earlier.

**Shyam Srinivasan:** And what's this milestone, sir, or is it there in historical quarters or sorry, if you could explain?

**Srinivas Sadu:** Yes, it's always there, it's part of our business because when you make new contracts all is licensed products. So that income is always there.

**Ravi Shekhar Mitra:** Yes. So this quarter it was 11% on a standalone basis of the revenue.

**Shyam Srinivasan:** Got it. That's helpful. So my second part of that question was how should we look at growth for your main region, which is U.S., right? So just want to understand how should we look at the remainder of the year? Anything in terms of whether sequential momentum or Y-o-Y we're still on ongoing Y-o-Y. So just want to get some directional sense on the remainder of the year, even if you were sharing something on the full revenue, core business is what I'm asking?

**Srinivas Sadu:** So quarter-on-quarter, sequentially, it will be a steady growth, for sure. I think we I don't think there will be a decrease in the numbers. And if you look at Y-o-Y last year, I think we had that quarter where we had a substantial Enoxaparin sale in the U.S. and in my last call, I said it is a rationalization of inventory. So this year, there's a substantial decrease in Enox sales in the U.S., but that's going to pick up from next quarter. That's the major difference. But good thing is other products have started to grow in terms of volumes. So it will be a sequential growth, steady growth, yes.



- Shyam Srinivasan:** Helpful. Sir, my second question, for the 2 months of Cenexi, so I think May and June, what is the growth rate that you're seeing there?
- Srinivas Sadu:** Around 10%.
- Shyam Srinivasan:** Okay. That's about 10% growth, is it?
- Ravi Shekhar Mitra:** Yes, but you need to look at annual basis. So 2 months may not be the right way to look at. So we'll see how full year basis it pans out.
- Srinivas Sadu:** But because that's been the CDMO business, 1 month here and there will happen depending on the dispatches and projects completion. So on an annual basis, we have to see.
- Shyam Srinivasan:** Last question, the high gross margin and low EBITDA margin. Is there a construct at least on the EBITDA side, is there a construct that we can improve this? You talked about all the synergies, but are you putting down like a margin target or absolute cost that can be actually reduced over like whatever, 3, 5 years, whatever you want to call it? Is there something that you would like to guide us, sir?
- Srinivas Sadu:** Yes. The opportunities to make it more efficient and reduction of costs are plenty. One is, of course, as you know, fixed costs are there. Any additional business generation will add to the bottom line. That's one. Second, on the cost side as well. Of course, that's been our strength. How to make it more efficient. Currently, the OE at which they're running is low compared to what we do at our sites. So there's a substantial improvement which it can do. And of course, added to the supply, the sourcing and all that, those are additional benefits. Yes, there's a lot of opportunity which we can improve at if we can focus on operational efficiencies at that site.
- Moderator:** Thank you. The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.
- Tushar Manudhane:** Sir, just again on this profit share. So what should be the sustainable number to look for from a gross margin perspective? Because if I exclude the profit share element, both quarter-on-quarter, then gross margin is more or less at 46.5%.
- Ravi Shekhar Mitra:** The profit share would be a factor of the ultimate pricing at this level. So we think that this should be the range. If you see historically also, we moved around 8% to 10%, 11% is normally has been the range. So that we can estimate for going forward.
- Tushar Manudhane:** So considering the contracts in hand for the remaining of FY'24, can 11% be taken as a profit share anyway?
- Ravi Shekhar Mitra:** No. Annual wise if you see, it is it was 8% and moved around 8% to 10% basis.
- Tushar Manudhane:** Understood. And just in the presentation you have highlighted about this Liposomal product, Cenexi new contract, any color you would like to give in terms of how is this opportunity?



- Srinivas Sadu:** No, we can't comment on that. It just shows the technology what they have and that's also another synergy we're looking at. We don't have that capability at Gland. So we'll start looking at developing the portfolio to that as well. Too early to comment on that.
- Tushar Manudhane:** Okay. And just lastly on R&D spend, it has been on an absolute basis quarter-on-quarter lower. So what should be a sustainable win rate to look for both as a percentage of sales or on an absolute basis?
- Ravi Shekhar Mitra:** So last quarter January to March was a little lumpy because of more filing happened in that quarter. But our range is generally 5% of the standalone revenue basis.
- Moderator:** Thank you. The next question is from the line of Bharat Celly from Equirus Securities. Please go ahead.
- Bharat Celly:** Sir, just wanted to get sense on milestone income. So what was it last quarter and how much is it during this quarter, if you could quantify it?
- Ravi Shekhar Mitra:** So, last quarter means Q4 of FY'23 it was 7%.
- Bharat Celly:** So, we are referring to a profit share number. I'm referring to the milestone income, only milestone income?
- Ravi Shekhar Mitra:** Correct, understood. Milestones income in Q4 FY '23 was 7% and in Q1 it was 9%. and in this year this quarter, both milestone and profit share are 11%. These all numbers are on standalone basis I'm talking.
- Bharat Celly:** Right. And since we have actually collaborated with the newer partners for almost like 15 products, which were getting registered last quarter. So have we received any extra milestone payment related to those 15 products during this quarter?
- Srinivas Sadu:** No, not much because these are more generic products. So these are more profit share end of arrangements what we have. We have done several technology transfer projects as well, part of this. In the last few quarters, that's also been a focus where we're trying to do a lot of technology transfer projects from big pharma to so that the margins are better and also getting into a high margin product portfolio.
- Moderator:** The next question is from Bino Pathiparampil from Elara Capital.
- Bino Pathiparampil:** Sir, if I heard rightly, you launched 23 products in the U.S. in 1Q, seem to be a bit of bunching up there. What would be your target for the full year? And on an ongoing basis for the next couple of years, how many products do you target to launch in the U.S. per year?
- Srinivas Sadu:** So normally it's around 24, 25 our own products and then tech transfer, we do about 10 to 12. So last year, I think we did 39 launches. And this year, because of the relaunches what we're doing, we have done more. But normally, it's around 40 molecules.
- Bino Pathiparampil:** So for this year will it be higher or around 40?



- Srinivas Sadu:** No, this will be higher because of course, if you consider the relaunches, relaunches will be around 23, 24 more than normal.
- Bino Pathiparampil:** Okay. So total we are talking about 60 plus?
- Srinivas Sadu:** Yes.
- Bino Pathiparampil:** Okay. And next year onwards on a regular basis we can expect around 40?
- Srinivas Sadu:** Correct.
- Moderator:** The next question is from the line of Alisha Mahawla from Envision Capital Services Private Limited.
- Alisha Mahawla:** Sir, just wanted some color from you in terms of how is the drug shortage scenario in the U.S. currently? And are there any spaces where there could be an opportunity for us in the near to medium-term?
- Srinivas Sadu:** You're talking about drug shortages?
- Alisha Mahawla:** Yes.
- Srinivas Sadu:** Yes, I know you might have heard in the news as well. So a lot of oncology products are under drug shortage situation. So there could be some opportunities coming that way, yes.
- Alisha Mahawla:** During COVID we used to highlight that the US FDA would obviously look at this and would contact players like Gland to ensure that there were sufficient supplies in the market. So just wanted to know if anything like that is already in motion?
- Srinivas Sadu:** Yes, that's happened. And we are also monitoring through our partners which are those products. Like I've been always saying, the reaction time is a little longer than earlier because a lot of oncology products, the procurement time is longer from a material perspective. But the opportunities are there and we are working on those for sure, yes.
- Alisha Mahawla:** And my second question is on Cenexi's margins. By when do we expect so I did hear that there are steps in place that will start coming in from the next few quarters, but is there an aspiration by when they can come closer to the standalone margins that we used to do?
- Srinivas Sadu:** The standalone margin of Gland probably is it's a long shot. It will take some time, but at least the margin improvement you should see from I think the target internally is 2 quarters from now, 1 to 2 quarters because the base costs are higher compared to here. Probably a year, 2 years down the line, once we invest into some more additional capacities or more efficient lines and then I think you might see a larger benefit from it. But in the next 2 quarters, you'll see some improvement in the margins.
- Alisha Mahawla:** But can they go up to 20% or high teens?
- Srinivas Sadu:** Not in the near-term, but maybe in the future years.



- Moderator:** The next question is from the line of Ashish Thavkar from 361 Asset Management.
- Ashish Thakkar:** Sir, anything on biosimilars and obviously we also launched a product in China. So if you can give us any color as to what the number of launches that we are doing in China? And what could China become like 3 years out? What proportion of total revenues it can be? And plus also on the biosimilars part.
- Srinivas Sadu:** Yes. So the biosimilar part, like you said, we signed one, the plasma protein contract. That's not really a biosimilar, but similar. So but the rest, I think it's a slow move now because of the tight investments coming into that sector. But we are interacting with a lot of customers on that, I would say. China, one product is launched last quarter. Still we are monitoring the market from which how the revenues will look like. One more product will be launched soon. The second product is closed to approval. So that will be launched in the subsequent quarter.
- Ashish Thakkar:** And you would expect the China economics to be more or less similar to the U.S. or to the ROW markets?
- Srinivas Sadu:** Current pricing looks better than that has been in the U.S. The 4 products is expected to get launched in the next 9 to 12 months.
- Ashish Thakkar:** And this will be through the partnership model, right? The front end actually will be through a partnership model.
- Srinivas Sadu:** Correct.
- Ashish Thakkar:** Okay. Fair enough. And sir, lastly, on these Pfizer's disruption at their injectable facility, anything which is coming our way? Any discussions with our distributors or our potential partners?
- Srinivas Sadu:** If you really look at the products what got disrupted, many are not in our portfolio. There are a few actually which already got moved to Gland's facilities earlier part of this year, the 2 products which are already moved. So the opportunity is there for 1 or 2 products, but not substantial.
- Ashish Thakkar:** Okay. Fair enough. And sir, you said normalization in sales from 2 of the customers where we have seen disruption in the recent past. So when you say normalization, do you mean that the sales decline has got arrested?
- Srinivas Sadu:** Yes. So because they were completely exited now we have to rebuild that business. There are a few products where the buyer has already taken over the contracts. The 4 or 5 products which are under the GPO contract, that got transferred to the buyer. So that's getting continued. So once they started selling of the inventory what they got from the previous company, then they started placing orders. So those will be back.
- The rest of the products, we are launching through other customers. So they will be rebuilding their business. So of course, most of these are not exclusive products, they had already been sold to other customers also, but these new launches will also help add more volumes.



**Ashish Thakkar:** Fair enough. Sir, last question on, since we are also planning to launch onco injectables, but there are lot of many companies, including the likes of Torrent, Alembic and possibly Caplin as well. So how do you see that competition panning out in your onco injectables? It seems everyone wants to take a deep eye, which is readily available. So how would you like at least from the next 1 to 2 quarters, do you feel that there would be a bunching up of launches and possibly there could be some as far as the price discipline is concerned, what would be your view?

**Srinivas Sadu:** No, we're always there in onco, it's not new launches for us. Most of these products are already approved and there. We've been selling a lot of oncology products historically. It just does because shortage situation, some products might sell more like Cisplatin and Carboplatin. And some of these products, the demand is high because of the shortage. But otherwise, it's not a new entry for us.

**Ashish Thakkar:** Okay. And in your sir, just lastly, sorry. In your past experiences in your assessment, how long would the shortages last? Typically, what is the cycle?

**Srinivas Sadu:** It depends. Some are longer, but depending on demand, because especially oncology, the players who entered had market share of 50%, 55% for most of the products and to replace that from a single facility will be difficult. So it could last a bit longer than anticipated. But I mean, we can't really guess how long the shortages will happen. Sometimes it go away in 3 months, sometimes it could be for a year.

**Moderator:** The next question is from the line of Harsh Bhatia from Bandhan Mutual Fund.

**Harsh Bhatia:** Sadu sir, just 2, 3 quick clarifications. In terms of these large products that we are currently catering to primarily for the U.S. market in terms of, let's say, Vancomycin or Heparin, Daptomycin, over the last 2, 3 years, we have seen a couple of Chinese players enter the market. Some might be doing front end and some might be doing the contract manufacturing receiving more part of it for the injectables, purely for the U.S. market. Just to get a little bit more flavour in terms of their behaviour and why have they or rather at how their behaviour is panning out in the last 2, 3 years? Like anything incremental that you can help us understand?

**Srinivas Sadu:** There is an aggressive pricing, which happened, I would say, still recent past. We see now a bit reasonable in terms of the launches what we have made in the recently. So I think people are realizing long-term it doesn't work with that kind of an aggressive pricing, especially with the FDA inspections happening and going after aggressively the facilities. So maintaining GMP standards for a longer time and continuous investing into R&D and infrastructure unless, you have enough margins, it's very difficult to sustain. So I think now that inspections have started again, we should see some sanity in terms of the pricing.

**Harsh Bhatia:** Sure. And in terms of 1 particular product, Ketorolac. If you may we have seen our partners consistently gain market share, at least that's what the secondary data shows. So is there anything particular that's happening at that front? Is there any player exits that are happening or some incremental opportunity that we are seeing because this is something that's panning out over the last few quarters? So this is primarily for Fosun and Alvogen.



**Srinivas Sadu:** So we have a big share of that market. All these partners source product from us. Technically, it's a difficult product and a high-volume product. So companies have approvals, but not able to consistently supply. It's an alcohol-based product and also some SKU is more difficult to manufacture. So it's I would say, it's a technically difficult product to make at the same volumes as like other products. That's been one of the reasons people are not able to supply. So for many quarters, we have the we held a substantial market share for this product. And in spite of having a lot of approvals, you don't see them selling a lot of quantities of this product.

**Harsh Bhatia:** Sure. That's helpful. And lastly, just as a broader thought process. So you're talking about these relaunches over the FY '24 period, the high number of relaunches primarily. Just to get the thought process right, the way to think about it is that we are basically it's basically a reconfiguration of our client because of any particular reasons and the only way to win or grow the top-line through these launches is us to get back into the market and gain the market share. That's the broader thought process, right? I'm just trying to understand how are we looking at these incremental opportunities or rather the base opportunity in terms of availability to relaunch and then gone back to market share that we've already lost?

**Srinivas Sadu:** So there are a few things. I mean, the companies who exited this business, got out of injectables. So we had several products with them. And when they exited, they held some GPO contracts, which are tied up to our products. So when I think, Sagent acquired this business, they acquired these contracts as well. So they'll start taking products from us. So these products are the relaunch, but basically, the GPO contracts will continue. So what we lost for a quarter or 2 quarter, we'll restart again and that's what happened this quarter.

The other set of products, because of competition, there was a pricing issue. So people couldn't sell or partners could not sell. These are relaunches happening based on our own internal life cycle management, what we have done with products, reduction of cost, change of API sourcing, increase of batches so we could have come out with a competitive pricing. So we relaunched it so that we can have a better edge in terms of competing with the others. So these are two ways to look at it.

**Moderator:** The next question is from the line of Nithya Balasubramanian from Bernstein.

**Nithya Balasubramanian:** Sadu, can you give us an update on the complex injectable filings as well as your pipeline?

**Srinivas Sadu:** Yes. So we have filed 7 complex products. And then we have another 12. So we're going to file 4 more this year. So that will be 11. Then we have another 8, I think total is 19. Another 8 in the next 12 to 14 months. So that's the pipeline we have. With Cenexi coming onboard with the liposomal technology, we're going to add more products now with the portfolio, yes.

**Nithya Balasubramanian:** Ex-Cenexi, are these most can you just talk a little bit about the technology? Are these all suspensions, microspheres, if you can just give us a little bit of color? And also, when are you expecting some of the approvals the first set of approvals to come?

**Srinivas Sadu:** So there are 4 complex peptides, 1 emulsion, the 7 hormonal suspension products. Then there are 2 microspheres, 1 nanosuspension and 4 normal suspension. So the 19 split. One complex



peptide we just launched last quarter. It's not a huge product, but limited competition. But the rest, we are waiting for approval.

**Nithya Balasubramanian:** Any large opportunity that you're expecting in FY '24?

**Srinivas Sadu:** '24, either it's the last quarter of FY '24 or the first quarter of '25 based on the goal date what we got.

**Nithya Balasubramanian:** Got it. The second one second question I had was on Enoxaparin. You had mentioned at some point that we would expect the run rate to go up because Kabi is transferring all the volumes to Gland. Is that still the expectation in FY '24? Will we see that in this year?

**Srinivas Sadu:** Yes. So we have our agreement is active. It's just that they are rationalizing the inventory. The earlier run rate what they thought was 24 million, now it's around 15 million. And the inventories what they built-up is getting reduced. That's the reason why we couldn't sell ship this quarter, but you see that moving from next quarter. Yes, I think their expectations are of 15 million syringes a year.

**Nithya Balasubramanian:** Understood. And if I may squeeze in another one. On Cenexi, I think the gross margins obviously look very attractive. If you can just help give us some color as to why that is the case? Because I look at any other European CDMO, I'm tracking nobody is even in the range, Lonza or Siegfried the Recipharm are even close to the gross margins of the next big. So what explains these high gross margins? And do you think they're sustainable?

**Srinivas Sadu:** I think most several products what they have are unique in nature, it is only the brand selling this or the company which bought the brand. One product actually USis exclusive. And there's I also talked about a pre-filled syringe, oncology product. Again, it's a single product. So they have several of that nature where not many CDMOs are doing it. And that's the reason we said we actually identified several products where we dropped it. Now that they have these technologies, they want to enter. I think I would say that's one of the reasons why they have the high margins here.

**Moderator:** The next question is from the line of Anubhav Sahu from Macro Research.

**Anubhav Sahu:** A couple of questions. One on this new product, Heparin and Enox. If you could talk a little more on the near to medium-term stack on these 2 product lines. So is it looks like a case that we are gradually exiting from this space. So if you have would you have any internal target you're getting maybe in terms of sales volume or percentage of sales to poll? If you could elaborate more on this strategy part?

**Srinivas Sadu:** No, these as a company, it's these 2 are important products for us. We're never going to exit that. We just are limiting certain markets where the margins are too low and trying to focus on operational efficiencies for see ultimately, the return on investment is there. We can't invest our lines on products where there is not margin, but it's not that this is going to stay forever. For example, Heparin, based on the work that we have done in approving several crude suppliers and additional Heparin suppliers through our network in China, we could reduce some costs and





now you will see some volumes moving in the U.S. also, they're trying to become more competitive.

So it's a question of how much backward integration you can go in these molecules. And so it's just like slowing down in some markets till you get those market shares. Still, we feel we are far better off in terms of competition other than 1 or 2 Chinese players who are 100% backward integrated. But then we have an edge in than many others as well. So it's not that we're exiting. It's just that we're trying to be more selective in selling now, while we work on the improving the costs. That's the whole idea.

**Anubhav Sahu:** Understood. And if I get it right, these 2 products, that you're expecting around 20%, 25% of sales? For the U.S. market, could you give any idea how much of this sales I mean, sales as for these 2 products are coming from U.S. market?

**Srinivas Sadu:** So while last year, it was 25%, 27%, this year already it's reduced. So in fact, that's a good sign because the dependence on that has come down. We have launched several other products, which have taken load off these molecules, which are better, more profitable. While we are working on improving the costs for products like Heparin, we're trying to see how we can do our pricing to get some contracts in the U.S. So that's the plan.

**Anubhav Sahu:** Okay. And like out of this INR1,000 crores now probably it has reduced. So how much of the percentage of sales coming from these 2 products is from U.S.? If you got some kind of estimate because probably U.S. is one market where you probably are slowing down with 2 products.

**Srinivas Sadu:** We can come back to you with the exact number for the last quarter, what percentage are from these 2 products. So Sumanta can send message. Sumanta can address you offline.

**Anubhav Sahu:** Okay. That's great. And secondly, just a clarity on this Q-on-Q number for U.S. You mentioned out of 25% growth, we have seen 11% from the new launches, 4% from the volumes from the existing products, right? And so that takes it around 10% because of the milestone payment. Did I get it right?

**Srinivas Sadu:** So you see, overall it's 11%, but the U.S., the new launches and quantity is almost 20% growth.

**Anubhav Sahu:** Can you come again?

**Srinivas Sadu:** Overall, as a company, 11% came from new launches. But if you see just the U.S. between new launches and quantity, it's about 20%.

**Anubhav Sahu:** 20%. Okay. And the rest of it is milestone of around 4% to 5%?

**Srinivas Sadu:** Yes, correct.

**Moderator:** The next question is from the line of Tushar Manudhane from Motilal Oswal Services.

**Tushar Manudhane:** Sir, in the previous remarks, you highlighted that the pricing for in China is better than U.S. even after considering it being a tender nature of the business being tender, still you think the pricing is much better than U.S.?



- Srinivas Sadu:** So the portfolio what you have selected has this nature. We're not going after every product where it gets into that tender, but we are selecting products which are not part of that. That's where the margin are.
- Tushar Manudhane:** And this you're referring from a gross margin?
- Srinivas Sadu:** Correct.
- Tushar Manudhane:** And secondly, just the profitability for these new customers which we have added as we lost certain customers or certain customers going bankrupt, so if it to me whatever new customers you have added, the profitability is more or less similar or they are now at a lower margins?
- Srinivas Sadu:** So although the contracts -- contractually, we have a higher profit share because the milestone income is availed for most of the products. But because of the pricing, probably it could end up at the same level.
- Moderator:** The next question is from the line of Sunil Khatri, who is an Individual Advisor.
- Sunil Khatri:** Yes. My question is a very small question, that revenue from India is very small portion of total turnover of our company. So if there is any special efforts are you going to put for the increase the revenue from India operations?
- Srinivas Sadu:** See, our portfolio, if you look, mostly it's hospital injectable products and mostly these are under NLEM in the price control. And that's the reason why we've been facing the issue of sales because highly GMP compliance today the costs are always high, which t is very difficult to compete in this tender market. But we are evaluating. We have too many things on hand now, but we are also looking at a branded business, if we can get into that kind of an area. But that's more on our strategic discussions what we are having, but not in the near-term, no.
- Sunil Khatri:** Okay. One more further small question. The Cenexi's revenue for 2 months is only there. It is around INR3,214 million. So you can assume that INR20,000 million will be there annually?
- Srinivas Sadu:** Yes. Last year, the revenues was around EUR 190 million was the sales last year. So you can assume it will be in that range this year.
- Sunil Khatri:** Okay, sir. Thank you, and congratulations for providing better results compared to Q-on-Q.
- Moderator:** Thank you very much. That was the last question. I would now like to hand the conference back to the management team for closing comments.
- Sumanta Bajpayee:** Thank you for joining us today on our first quarter earnings call. We appreciate your participation. If you have any further queries or clarifications, please feel free to get in touch with us. Thank you. Good night.
- Moderator:** Thank you very much. On behalf of Gland Pharma Limited, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.