# "Alivus Life Sciences Limited - Q3 FY'25 Earnings Conference Call"

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**Moderator:** Ladies and Gentlemen, Good Day and Welcome to Alivus Life Sciences Limited, (formerly Glenmark Life Sciences Limited) Q3 FY'25 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the confidence over to Ms. Soumi Rao. Thank you and over to Ms. Rao.

**Soumi Rao:** Good evening, everyone. I welcome you all to the Earnings Call of Alivus Life Sciences Limited, formerly Glenmark Life Sciences, for the quarter ended December 31st, 2024.

From Alivus Life Sciences, we have with us Dr. Yasir Rawjee – our M.D. and CEO, and Mr. Tushar Mistry – our CFO.

Our board has approved the results for the quarter ended December 31st, 2024. We have released the same to the stock exchanges and updated it on our website.

Please note that the recording of the transcript of this call will be available on the website of the company, www.alivus.com.

Now, I would like to draw your attention to the fact that some of the information shared as part of this call, especially information with respect to our plans and strategies, may contain certain forward-looking statements that involve risks and uncertainties. These statements are based on current expectations, forecasts and assumptions that are subject to risks which could cause actual results to differ materially from these statements depending upon economic conditions, government policies and other incidental factors. Such statements should not be regarded by recipients as a substitute of their own judgment. The company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Our actual results may differ materially from those expressed in or implied by the forward-looking statements.

With that, I invite "Dr. Yasir Rawjee to give the Opening Remarks." Thank you and over to you, Dr. Rawjee.

**Dr. Yasir Rawjee:** Thank you, Soumi. Good evening, everyone, and welcome to our Q3 Earnings Call. I would like to extend warm wishes from Alivus for the New Year to each of you.

It marks a notable milestone for us as we officially transition to Alivus Life Sciences. This name change reflects our deep commitment to creating life enhancing solutions. Alivus derived from the root word, life, embodies our aspiration to kindle hope, improve health and help people live fuller lives. This rebranding signifies a new phase in our journey as we continue to innovate and grow.

Moving on, let me turn to the broader industry shaping our business:

Within the pharma industry, we observe steady growth driven by increased outsourcing, rising demand for specialized APIs and supply chain diversification to reduce dependency on single regions. The industry is also witnessing growth in the areas of sustainable manufacturing and advanced technologies.

Now, focusing on our performance for the quarter:

We reported revenues of 642 crores, a growth of 12% YoY and 27% QoQ. This was driven by both GPL and non-GPL business, which grew 15% YoY and 11% YoY respectively. Generic business grew by 16.9% YoY.

From the geography perspective, regions like India, Europe, ROW and Japan have contributed to this growth. While we were able to recover some of the spill revenues of Q2 during this quarter, some portion will be recoverable in Q4. Our CDMO showed encouraging QoQ growth of 25%, whereas the year-on-year growth is subdued due to the cyclical nature of the demand.

Coming to our profits for the quarter:

We reported a gross margin of 55.6%, which is in line with our earlier guidance. Our EBITDA margin for the quarter was 31.3%, up 90 basis points YoY and 310 basis points QoQ. This is essentially a result of better product mix with stable expenses.

Our pipeline remains robust with over 548 DMF and CEP filings globally as on December 31st, 2024. Our high potent API pipeline with a significant market opportunity continues to advance with multiple products in various stages of development. We have 21 products today with a total addressable market of 45 billion with six products having been validated and six more products in advanced stages of development. Our quest for high quality innovative solutions and scalability continues in order to build a sustainable business over the long term.

With this, I now turn the floor to our CFO, Mr. Tushar Mistry, to provide a Detailed Overview of our Financial Performance for the Quarter. Over to you, Tushar.

**Tushar Mistry:** Thank you, Dr. Good evening. Welcome to our Q3 and Nine Months FY25 Earnings Call.

I would like to briefly touch upon the "Key Performance Highlights for the Quarter and Nine Months ended 31st December 2024" and then we'll open the floor for "Questions-and-answers."

Our revenue for operations for the quarter stood at Rs.642 crores, a growth of 12% YoY and 26.6% on a sequential basis. The gross profit for the quarter was at Rs.357 crores, up 7.9% YoY and 26.6% sequentially. The gross margins for the quarter stood at 55.6%. EBITDA for the quarter was at Rs.201 crores, up 15.2% YoY and 40.5% sequentially. The EBITDA margin for the quarter was at 31.3%, up 90 basis points YoY and 310 basis points QoQ, driven by better product mix. And the PAT for the quarter stood at 137 crores with PAT margins coming at 21.3%.

Let me quickly discuss the nine months financial year numbers as well:

Revenue from operations remain flat over nine months FY'24 at Rs.1,737 crores. Gross profit was at Rs.939 crores and gross margins were at 54.1%. EBITDA at 509 crores with margins at 29.3%. PAT was at Rs.344 crores with PAT margins of 19.8%.

Looking at the Therapeutic Mix, CVS & CNS continues to lead the growth during the quarter, with both therapies collectively contributing 58% to the top line.

R&D expenditure for nine months was at 56 crores, which was 3.2% of our sales. For the quarter, it was Rs. 20 crores.

Touching upon the balance sheet and cash flow movement, the working capital days were at 182 days as of December 2024.

Coming to capital expenditure:

We invested Rs.33 crores during the quarter, while the total investment for nine months were Rs.119 crores.

We continue to remain a net debt-free company, and I am happy to inform you that we have generated a strong cash flow from operations of Rs.184 crores in nine months FY'25 with cash and cash equivalents including short-term investments of Rs.499 crores as of 31st December 2024.

In conclusion, I would like to say that we are optimistic of the future trajectory on the back of the steady demand environment.

With that, let us open the floor for Q&A.

**Moderator**: We will now begin the question-and-answer session. First question comes from the line of Ahmed Madha with Unifi Capital. Please go ahead.

**Ahmed Madha:** My first question is on the CDMO business. Despite the contribution from the fourth project deal, the absolute number still looks subdued. So, can you explain on this? And secondly, do you expect this number to scale up materially in Q4 with the new project?

**Dr. Yasir Rawjee:** So. CDMO, the fourth project has kicked in, but it's just kicked in, right? So, materially, it's not that significant in terms of contribution. And the three projects that we have explained before, that they do have a cyclical nature in terms of demand and so owing to weaker demand, right, we have seen CDMO not pick up as much as we had anticipated, but going forward, I believe that this is going to get better from next quarter onwards, but again on a QoQ basis just given the fact that we don't have that many number of projects, we would see a cyclical performance on the CDMO segment.

**Ahmed Madha:** Second question is what is your current capacity utilization and did the 208 KL addition in Ankleshwar contribute in the current quarter also?

**Dr. Yasir Rawjee:** The 208 KL addition of capacity has contributed, but mind you, that's an intermediate capacity. And typically, we look at our finished API capacity when we are looking at sort of scaling up. However, it does matter but still in terms of connecting, we look at the API finish capacity. The utilization has been around the 90% level that we usually are at.

**Ahmed Madha:** If I look at the OPEX number, the OPEX growth is slightly ahead of our top line growth. So, is there any element of one-off or anything as such or is this part of growth….

**Tushar Mistry:** So, Ahmed, some part of it is in line with the growth in the revenue numbers. But of course, there is some element of one-time as we are looking at some transition costs getting incurred in Q3 as well as in Q4. Some small element of that is there. And there was some higher cost on the sales and marketing front also in this current quarter.

**Ahmed Madha:** Can you quantify the one-off transition cost?

**Tushar Mistry:** Transition cost would be in the range of about 3 to 4 crores in this current quarter,

**Moderator**: Next question comes from the line of Sajal Kapoor with Antifragile Thinking. Please go ahead.

**Sajal Kapoor:** Happy to see some recovery in CDMO and hopefully it should get better from here. Just a couple of questions really and one which two, three things will not change in this new avatar and what do you think must change to strengthen the business?

**Dr. Yasir Rawjee:** So, our approach to the portfolio right in terms of chasing higher value opportunities is something that we will continue. The geographic diversification that has made our business very stable, I would say, is also something that's a win and that's also something that we would continue to drive. As far as operational efficiency, I think we do a good job, but there's certainly room to do more. So, these are the sort of business operations and R&D elements that would stay intact because these are the things that have really helped us to continue to build a sustainable business, right. What will change though is that given the fact that we are able to invest more in the business, our approach will be to build new levers to drive further growth. So, this is important especially in light of the fact that in the past the investment that we have made has been largely limited to increasing capacities just to service the business. The only exception I would say is that when we introduced the oncology platform, this was 2.5 years ago, and that also has paid rich dividends in terms of the portfolio that we have been able to build and the business interests that we have been able to generate. So, given that kind of uptick potential in the business by building new platforms, it's very clear to us that we need to build in that direction in terms of new platforms so that, that can fuel further growth and then we are positioned well because we do have the ability now to invest more. Do me a favor; don't ask me what that is going to be? Okay? Because I am not going to tell anyone this, right? Simply because I mean we have a lot of things in the pipeline that we're thinking of. Some of them we are even ready to implement. But it's a generic business and there's a lot of copycat culture in our industry. So, we'd like to keep it a little quiet while we build these platforms to fuel for growth. So, I think that summarizes, Sajal. This is how we're going to sort of go forward while keeping a very strong element of our current DNA intact.

**Sajal Kapoor:** That's a very thoughtful response and I wasn't expecting anything less from you, Dr. Rawjee. So, thank you for illustrating your vision out there. And I also appreciate why you need to keep this strategy close to your heart for now you're not revealing it, and I completely appreciate that. And last question is USFDA has not audited our plants for several years. So, I understand how difficult it is to estimate the time of the audit. But how can we interpret the relatively low frequency of USFDA audits on our facilities vis-à-vis some of the other API plants that they have visited twice in two years kind of a frequency, I mean, how do you read into this?

**Dr. Yasir Rawjee:** Well, we do understand a little more than just sort of guessing, right, and that is these agencies talk to each other. Okay? I happen to have interacted with some investigators, right, informally, and basically because they share information, right, it's the risk ladder that they build, right, so their frequency goes up when they sense a riskier company and their frequency, we go down in their ladder in terms of the frequency of audits. We have had successful audits from Japanese PMDA recently, we have had successful audits from ANVISA Brazil recently and these are all agencies that talk to each other. So, we expect that FDA should come. It's been a while. So, based on the fact that it's been a while and we have had quite a number of filings, we believe that this will happen. The good news for us is that our approvals in our facilities are not being stopped. Our customers continue to get approvals and so it's not hampering business, but yes, I mean it would be nice to have the USFDA come in and take a look at us and sort of we can move forward from there.

**Sajal Kapoor:** And this PMDA was that for Dahej or Ankleshwar?

**Dr. Yasir Rawjee:** PMDA was Dahej, ANVISA was Ankleshwar.

**Sajal Kapoor:** Both are good agencies, I mean, even Brazilians are very particular. That's good to hear and look forward to the next quarter and of course understanding what platforms is it that you would be revealing by?

**Moderator:** Next question comes from the line of Harsh Shah with Reera Holdings. Please go ahead.

**Harsh Shah:** Just wanted to get an understanding about how much your onco blocks are contributing, because when I look at Alivus Life revenue, I presume onco would be in the other line items. It is 33%, 34%. Just wanted to get an understanding how much is onco contributing and is there a thought process that we can give out a separate line of onco block just like we give it for cardio, CNS, diabetes?

**Dr. Yasir Rawjee:** You have been pretty muddled, your voice that came through. But I understand you're asking us about how much has onco contributed? Is that your question?

**Harsh Shah:** Yes, that is correct.

**Dr. Yasir Rawjee:** So, see, the thing is that with onco, we are currently in the seeding stage. Okay? So, we have got six products validated and these are all going to customers who would eventually launch with these APIs, and we have another six that we will be validating soon. So, that will be 12 APIs in a short time that would have been seeded with multiple customers. Commercially, they have not contributed a lot because we have only supplied exhibit batch quantities to customers. There has been some revenue from onco as a result of that. But we are not yet in the commercial phase with respect to our oncology pipeline as yet.

**Harsh Shah:** So, when you say that the market size of the 12 drugs which are under various stages of development is $45 billion, so what would be the API market size out of that?

**Dr. Yasir Rawjee:** You know what, this is a surrogate markup. Okay? Let's understand that most of this $48 billion, right, is basically an innovator market play. So, let me help you to break it down. Okay? So, if you then look at what would this market size look like when the generics happen, it's going to reduce very significantly and then the API is a subset of that. Okay? So, you have a price erosion when generic launches happen to the extent of 95%-plus. But what this does, why we sort of give you the total addressable market, right, is basically to give a sense in terms of what we are going after in terms of the potential. That's the reason for putting out such a number, but I do understand sometimes can cause a lot of excitement, right, in terms of how much we could sort of do on the API side? But it's a substantial market that we would be catering to even after generic penetration happens.

**Harsh Shah:** Would it be fair to assume will it be somewhere in the range of 10% to 20% be the size of generic API market if we have to derive it from the surrogate led market size?

**Dr. Yasir Rawjee:** No, like I said, it could go down to 5%, right, of what it is today when generic happens. So, say 48 billion becomes like 3 billion. Okay? And then API is part of that, in terms of the overall market. You get that?

**Moderator**: Next question comes from the line of Karthik with Catamaran. Please go ahead.

**Karthik:** Sir, can you help us understand what is the long-term strategy on the CDMO business segment?

**Dr. Yasir Rawjee:** Sure. So, in the CDMO spectrum, which is pretty wide, I mean, we are looking at end of life cycle projects. Okay? So, that commercialization is relatively quick and the other part that we focus on is the specialty segment where again basically, it's not a full clinical study repeat, but short clinical studies that specialty companies do with an enhanced formulation. Okay? But they still end up getting quite a good exclusivity period and this basically gives us again a relatively quick entry into the market along with pretty good realization. So, that's the strategy that we have been following so far. And we would continue to do that. Again, we see a fair amount of traction, right, with newer projects, especially because we have got a pretty big portfolio that helps us in both end-of-life cycle as well as specialty.

**Karthik:** And in terms of people in the team like have you hired more manpower force to specially focus on CDMO and how large would this team be?

**Dr. Yasir Rawjee:** Currently, it's the same team that drives the generic business in Europe, North America and Japan, but these are the three large regions where we get traction on the CDMO side.

**Karthik:** Sir, is there any perceived conflict of interest between CDMO clients giving you business because you're working for a lot of generic clients as well?

**Dr. Yasir Rawjee:** Not anymore. I mean, I've had this issue crop up years ago. But I think again because of the segment that we are in, there is no real threat, Okay? In fact, they prefer to go with an established manufacturer because we have achieved economies of scale, we have achieved a pretty strong supply chain purity, I mean, we have ensured that. So, the combination of a strong supply chain as well as optimized costs on manufacturing and materials procurement basically gives them a significant advantage for their end of life cycle business.

**Moderator**: Next question comes from the line of Nitin Agarwal with DAM capital. Please go ahead.

**Nitin Agarwal:** Dr., in the past you have talked about post-the transition, you are looking to sort of step up some of the growth investments. Have there been any specific areas where some of these activities already underway and if you can sort of highlight them?

**Dr. Yasir Rawjee:** Yes, I was answering, Sajal, right, earlier where I said that we have already started looking at things, and started work in R&D already. Okay? We hope to have our own R&D facility in about a year, year and a half, but we are not waiting for getting that extra space in order to expand. We have already started doing work in a couple of areas. Unfortunately, I won't be able to tell you what all that is, but work has begun in earnest on two areas. Basically, new platforms that we have already started working in. And we'll be adding a few more in the next six to eight months. We hope to sort of commercialize these, some of them in early FY'27 So, it's work-in progress and we have started making early small investments because it doesn't yet involve manufacturing, but it's certainly happening at the R&D level at this point.

**Nitin Agarwal:** Given the fact that we have got now directly unfettered access to the cash that we have, in the past we have been giving out larger dividends given the structure that we were in, how are we looking, and we continue to generate a pretty reasonable free cash, even at this point of time, so any thoughts on how would we look on the cash utilization for the business, one part is the R&D you mentioned, will it take up some amount of incremental cash where else does the money really go from here beyond this?

**Tushar Mistry:** So, Nitin, there is also the greenfield expansion that is coming up in Solapur. There's a good amount of investment that is happening in that area as well. So, CAPEX for next three to four years is well laid out, should be in the range of another 400 to 500 crores easily. So, that's how the surplus cash will be utilized. Of course, post that also there will be some surplus cash on the balance sheet. The dividend will not be as high as what it used to be in the past. But obviously there will be some element of dividend also that will come.

**Nitin Agarwal:** Secondly, Dr., on the slide where you talked about the cumulative filing status, we have got 168 DMF which are there in North America, what proportion of these products would be sort of supplying literally on an annual basis, will some sales are coming through on a regular basis?

**Dr. Yasir Rawjee:** A little more than half, because the thing is that patent expiries also have not happened, right? So, many of these are not commercial, I mean, they are filed, but the patent expiries are going to happen in the next few years and that's when we will be supplying commercially. So, you get it, right, why it's about half.

**Nitin Agarwal:** And the link point is, versus the filings are there in North America, the number of filings in other regions are far lower, especially like countries like Japan and Brazil. So, I mean, how much of an opportunity is it for us to sort of geographically expand the current basket?

**Dr. Yasir Rawjee:** That's a good question. I mean, the thing here is that these markets, Brazil, Japan and so on, we have been filing on the basis of customer interest. Because you see, what happens is that we have already got all the data in place. And we also have either validated material at the commercial scale or we are supplying commercial quantities to other regions. So, here it's a relatively easy sort of thing to make the filings happen, because we have got the stability data, we have got everything in place, but then you don't want to have an empty file, right? If there's customer interest, they want to go ahead, yes, we are ready to file, we file, they take our material file, you produce exhibit batches and then file the dossier. So, that's the way things have been going, and I think it's a good optimization in terms of resources, right, how we plan our resources.

**Nitin Agarwal:** When we look through the next three to five years, you'll see most of your growth, if you were to break it up, will be coming from your existing portfolio or it's going to be largely driven by the newer launches?

**Dr. Yasir Rawjee:** The big part is going to come from newer launches, I mean, a big part is going to come from new launches, and if I look at four, five-year horizon, I mean half the revenue will be from new, so about half the revenue that will come, let's say year four or year five from now will be from new launches.

**Nitin Agarwal:** In terms of the competitive intensity in the business, have you seen any changes over the last few quarters?

**Dr. Yasir Rawjee:** No, the competitive intensity remains the same; it's high. But then again, I mean we do have our differentiators, in terms of being in the regulated market space, offering better service, better product, better cost many times. So, all that is there. So, we continue to sort of tread along the same lines in that sense.

**Moderator**: Next question comes from the line of Tarang with Old Bridge. Please go ahead.

**Tarang:** Couple of questions. One, how is the volume growth for this quarter? And second, for the CDMO business, you averaged about 140 crores in FY'24, nine months you are at about 100 crores. So, would we expect some growth, I mean given that we are already about three weeks into the quarter? So, some view on the CDMO business in the immediate term. And secondly, given that the fourth project has just been commercialized and you're expecting one more project to be commercializing in. H1 of FY'26, how should we see the trajectory of that business for FY'26 or is it too early to really forecast for FY'26?

**Dr. Yasir Rawjee:** FY'26 is a little early because we are expecting approval on the fifth project, right? Just like any project, right? I mean, the initial uptick is a little slow and so I answered, Ahmed, earlier, right, that the CDMO on the fourth project started, but it's not very significant, and then the three projects that we have, they do have a bit of a cyclical demand pattern, so that is playing out essentially on the CDMO. On the volume growth, I will just come back to you.

**Tushar Mistry:** On the volume, price erosion that we have seen is around 6%. So, volume growth is about 18% for us in the quarter.

**Tarang:** Just on the CDMO and overall business, Dr., generally, what is the kind of vantage that you have in the business, I mean, do you have a good view of how the quarter or how the next six months are going to pan out or generally it's really a monthly tab that you have on the business?

**Dr. Yasir Rawjee:** Good question. See, what happens is that when these kind of projects start, right, initially, you get a lot of feedback because the customer wants to make sure that you're going to service them. But as your service levels are at a high level anyway, then they are going to worry about it and they just sort of take you as a regular supplier. So, visibility in that sense becomes lower. Because it's just like yes, we'll get the material anyway, there is a certain lead time and that's it. So, that's how it usually happens. You kind of get taken for granted as –

**Tarang:** Get better at your work?

**Dr. Yasir Rawjee:** Yes. So, that happened.

**Tarang:** Last question is on CAPEX. I think in FY'25 my notes might be slightly incorrect, but were we anticipating 300 to 350 crores in FY'25?

**Tushar Mistry:** Yes, that's right, your notes are right, and in the first nine months it is about 119 crores. As I explained earlier, the budget allocations are already there for the projects that we have earmarked, for example, the greenfield project in Solapur as well as the new R&D center that Dr. spoke about. Some of these have not yet fructified, I mean, while Solapur has started, the spends are not yet hit the balance sheet yet. And the R&D center, we are still sorting for the land part. Once that is done, we would have the outlook.

**Tarang:** So, there's just a timing mismatch, there's nothing really changed.

**Tushar Mistry:** That's right.

**Moderator**: Next question comes from the line of Damayanti Kerai with HSBC. Please go ahead.

**Damayanti Kerai:** My question is for Dr. Yasir. So, just want to understand the generic business pick up a bit further. A very strong performance. So, can you clarify a few things? First, without spillover benefits from the previous quarter, how was the performance? And does 3Q number also reflect some sort of front loading by the channel partners? And then on the broader industry part, if you can comment on the demand and pricing scenario? So, I guess I just heard like 6% price erosion. How does this stand versus erosion in the prior quarter?

**Dr. Yasir Rawjee:** Thank you, Damayanti. So, as far as the servicing in this quarter, yes, we partially made it up. It's difficult to kind of give an exact number, but let's say we had done that number in Q2 already, you would still have pretty strong growth in Q3 as well. Okay? Of course, like I said, right, and the reason for that is we have got to meet customer expectations first, right. So, if we have sort of slowed things down for a customer in Q2, we had to make it up in Q3. That was the most important part. And it's a multipurpose facility, right, that our facilities are all multipurpose. So, we had to sort of stack that up depending on to ensure that customer servicing happened. So, I mean short answer is it would have still been a pretty strong quarter in Q3, right, even if let's say we have done some of the servicing in Q2. And that's why we said in our commentary that some more will also happen in Q4… some of that servicing that needs to happen. That's still sort of pending from Q2. On the front loading, you'll have to help me a little bit. I didn't quite understand when you say. I mean are customers stocking up, is that what you're asking?

**Damayanti Kerai:** Yes. Actually, in December quarter, which is a calendar end quarter, right, so I guess we have seen in the US that there is bit of front loading of stocking a better channel, so just want to understand if that was the case for your numbers as well?

**Dr. Yasir Rawjee:** No, I don't think so. In fact, we have actually seen in the past a reverse kind of trend because it's the last quarter and we are rationalizing inventory, right. So, they want to sort of order less, but I mean it has not really happened, right. As far as erosion goes, erosion remains more or less steady at about 4.5%, 5%. And that's on the bucket. It doesn't happen at a product level, right. On more mature products, we see more erosion and on newer products we see less erosion. But as a function of the bucket, we see about 4.5% to 5.5% kind of erosion on the overall.

**Damayanti Kerai:** And just in the demand perspective, are you seeing better demand from your customers or it's more to say compared to last few quarters?

**Dr. Yasir Rawjee:** So, demand is stable in India, Europe, Japan, in fact, it's really good in Japan, ROW and Europe, right, India is stable, but the US and Latin America are a bit weak. We have been talking about LATAM for some time now that because of the Argentinian currency situation, right, Argentinian customers are very conservative these days in terms of the demand, so that is impacting LATAM demand overall. And then demand coming from the US also is a little subdued. Because we have got strong demand coming from Europe, Japan, ROW, it's kind of covered it up and going forward we'll see this trend for a couple more quarters, with these regions to continue to perform well and these other two regions, that is basically the Americas, going to be a little subdued.

**Moderator**: Next question comes from the line of Shubham Padhiar with Tamohara Investment Managers. Please go ahead.

**S Padhiar:** I just have one quick question on working capital cycle. So, it is at 182 days. I just want to ask, are we standing at the top end of the spectrum and is it going to go down from the next quarter or is it going to still go up for a little bit?

**Tushar Mistry:** Yes, we believe this should be the peak out for this working capital. From this level, it should ideally come down.

**Moderator**: The next question comes from the line of Jay Patel, an individual investor. Please go ahead.

**Jay Patel:** My first question is regarding our thought process for backward integration. So, we have backward integrated at Ankleshwar and now even in Solapur we are doing a significant backward integration for 400 KL. So, just wanted to get a thought process around it. Is it to protect our margins or you want to derisk your raw materials from China?

**Dr. Yasir Rawjee:** So, it's for both. I mean there is a margin benefit also usually. But it's also where we have got a pretty substantial business, right, and narrow our supply base. There we don't want to risk it. So, we're going in that direction by backward integration.

**Jay Patel:** Secondly, there is a lot of chatter regarding US Biosecurity. So, many players are very much hopeful about Indian pharma industry. US really wanting to derisk from China. So, how do you see that, sir?

**Dr. Yasir Rawjee:** Yes, it's certainly going to be positive. The Act has not passed, right, but with enough awareness in the pharma community, right, in terms of how the US is thinking about this whole thing, right, I think the word has already got around that people need to derisk if they are completely dependent on just China alone. So, that has gone well I would say, I mean that momentum has picked up. So, it's going to be a positive thing for us going forward. I mean we have definitely seen more interest, even on existing commercial products, more enquiries and I would say that it's because of this.

**Jay Patel:** The last question is regarding high potent API and as well as the iron complex molecule. So, what is the competitive scenario domestically in India? And the broader question related to that would be, do we choose our newer products based on competitive intensity or market size, just wanted to get a sense of how do we choose newer products?

**Dr. Yasir Rawjee:** Let me just address the iron complexes and high potency. Iron complexes are complex molecule. It's very difficult for everyone to do it just like let's say small molecules are done, simply because in order to establish equivalence with the innovator, the amount of characterization that has to be done has to be very significant. So, basically the bar that agencies like USFDA put is very high in terms of establishing equivalence and that's why the competitive intensity is pretty low in these complex molecules. As far as high potent goes, it's a different approach you take. We basically target getting in early with customers, right? And because the R&D investment is quite significant, basically, it's how quickly you can lock in the customers, and if we are able to lock in a good number of customers at the beginning, then you end up getting sustainable business over the long-term. So, that's how that game is played. As far as the domestic market, we don't do much frankly in the domestic market in either iron complexes or in terms of high potent, right, we are largely targeting the export markets and the regulatory.

**Jay Patel:** So, actually I was asking regarding Indian competitors in these segments.

**Dr. Yasir Rawjee:** Yes, so the high end companies who are operating at our level in terms of quality, regulatory, those players are competitors, but then there's a handful, you don't have like everyone that you find on Google can be a competitor for us, that won't happen.

**Moderator**: Last question comes from the line of Dilip, an individual investor. Please go ahead.

**Dilip:** I've very specifically two questions. The first question is that will the company pay the dividend this year as they used to pay in the last two years with handsome dividends have been paid. But I think last year that has not been paid. That's one question. They are in a question to pay because they have a lot of cash available with the company, almost close to 500 crores, I could see from the three years. The second question what I could see is that the change in the management and the ownership. And

I believe the new management, they have a lot of expertise in chemicals, pharma and many other areas, supposed to be having a lot of keen interest in such kind of a pharma company, so probably they have acquired, that could be my guess. So, any idea being a top management if they are going to have some kind of a forward integration, any kind of pharma focus in a few sectors in future they would like to go?

**Dr. Yasir Rawjee:** So, Tushar, we will come in on the dividend question. As far as the management of Alivus goes, the management remains the same. Okay? This management team has been running the company for the last six years and Nirma, who has come in as the majority shareholder, continues to back this management team, simply because we have got the track record, and they like our approach with respect to the business so far and the plans that we have to take the company forward. They do bring in a lot of very good experience and understanding about the chemicals business and that will certainly play a very important role when we get into more automation in terms of handling, let's say, if we get into larger -volume products. So, that benefit will certainly come to us as a result of Nirma's ownership of the company. But directionally it's the same approach with the same management team that is going to continue to drive the company. As far as dividend, I will hand over to Tushar.

**Tushar Mistry:** The dividend till last year, till the time we were a part of Glenmark Pharma, were also from a requirement for upstreaming the cash to the parent company and that's why the dividends used to be higher at that point of time. There is no such direction at this point of time from Nirma. And in fact, as Dr. mentioned in his earlier comments that the cash on the balance sheet is going to be used for future growth capital investment. So, dividend may not be as high as what it used to be in the past, but it will certainly be there to some extent going forward.

**Moderator**: On behalf of all of Alivus Life Sciences Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.