Biocon Limited Q3FY22 Earnings Conference Call Transcript

January 21, 2022
Speakers and Participants from Biocon Limited and Biocon Biologics Limited

- Dr. Kiran Mazumdar-Shaw – Executive Chairperson, Biocon Limited
- Mr. Siddharth Mittal – CEO & Managing Director, Biocon Limited
- Dr. Arun Chandavarkar – Managing Director, Biocon Biologics Limited
- Mr. Shreehas Tambe – Deputy Chief Executive Officer, Biocon Biologics Limited
- Mr. Indranil Sen – Chief Financial Officer, Biocon Limited
- Mr. M.B. Chinappa – Chief Financial Officer, Biocon Biologics Limited
- Mr. Susheel Umesh – Chief Commercial Officer – Emerging Markets, Biocon Biologics Limited
- Mr. Paul Thomas – Chief Commercial Officer-US, Biocon Biologics Limited
- Mr. Abhijit Zutshi - Commercial Head - Global Generics, Biocon Limited
- Mr. Nehal Vora - Commercial Head - Global API, Biocon Limited
- Ms. Aishwarya Sitharam – Head - Investor Relations, Biocon Limited
- Mr. Nikunj Mall – Head - Investor Relations, Biocon Biologics Limited

External Participants during Q&A session

- Damayanti Kerai – HSBC
- Tarang Agarwal – Old Bridge Capital
- Surya Patra – Phillip Capital
- Shyam Srinivasan – Goldman Sachs
- Prakash Agarwal – Axis Capital
- Yash Tanna – iThought Portfolio Management Services
- Nitin Shakdher – Green Capital Single Family Office
- Sameer Baisiwala – Morgan Stanley
- Harith Ahamed – Spark Capital
- Vikram Agarwal – SCA Stock Brokers
- Nithya Balasubramanian – Sanford Bernstein
- Chintan Chheda – Quest Investment Advisors Pvt. Ltd.
- Patrick Stadelhofer – Atlantic Lion Investments
- Vipul Shah – Sumangal Investment
- Ashutosh Dobhal – Individual Investor
Preparing Remarks Session

Aishwarya Sitharam:

Good morning, everyone. I am Aishwarya Sitharam from the Biocon Investor Relations team and I would like to welcome you to Biocon’s Earnings Call for Q3FY22. I would like to indicate that all participants will be in the ‘listen-only’ mode, and there will be an opportunity for you to ask questions after the opening remarks conclude. Should you need to raise questions, please select the ‘Raise Hand’ option under the ‘Reactions’ tab of your Zoom application. We will call out your name and unmute your line to enable you to ask the question. While asking, please begin with your name and your organization. Please note that we will not be monitoring any questions on the chat box, but you can raise any technical concerns that you may be facing for our support team to help. I would also like to bring to your attention that this conference is being recorded.

To discuss the company’s business performance and outlook, we have with us today the Biocon leadership team comprising of Dr. Kiran Mazumdar-Shaw, our Executive Chairperson and other senior management colleagues.

I would like to take this opportunity to remind everyone about ‘Safe Harbor’. Today’s discussion may be forward looking in nature, based on management’s current beliefs and expectations. It must be viewed in concurrence with the risks that our business faces that could cause our future results, performance or achievements to differ significantly from what is expressed or implied by such forward looking statements. At the end of this call, if you need any further information, or clarifications, please do get in touch with Nikunj or me.

I would now like to turn the call over to Dr. Kiran Mazumdar-Shaw. Over to you, Ma’am.

Dr. Kiran Mazumdar-Shaw:

Thank you, Aishwarya and good morning, everyone. I welcome you to Biocon’s Earnings Call for the third quarter of FY22. Let me start this Earnings Call with warm wishes for a happy, healthy and hopeful 2022. As I reflect on the year that went by, I recall the optimism at the start of 2021 with a flurry of vaccine approvals and signs of the pandemic receding. However, this was short lived with the Delta variant delivering a devastating second wave, thwarting the global economy which was just beginning to recover. Vaccines were deployed across the world to attain levels of protection that would enable revival.

When it seemed like the pandemic was reaching an endemic stage yet another strain of the virus, Omicron, emerged. Omicron were three times more transmissible than the former variant Delta, seems to be far less severe with low hospitalization and death rates. While the outcome of this variant is yet to be seen, mass immunization through vaccination or boosters, an expanded therapeutic arsenal, and lessons from the earlier waves will help blunt the impact of Omicron. This, however, may not be the last variant, and we, as a community, need to brace ourselves for more variants in the future and continue to adhere to COVID appropriate protocols. Pediatric trials need to be sped up so that children can also soon get protective immunity. I also encourage everyone to take booster doses when available.

The need for vaccines has never been stronger as the world continues to battle infectious diseases. As you are aware, Biocon Biologics has recently formed a strategic alliance with Serum Institute, enabling it to enter the vaccines space. Collaboration such as this along with our existing COVID portfolio will enable us to continue to be at the forefront in the fight against COVID-19. Biocon remains committed to provide a comprehensive solution of affordable therapeutics for global healthcare.
Let me move to the next slide, where I will now start discussing the key highlights for Q3FY22. Let me take you through a few of these:

- For the first time, we entered the prestigious Dow Jones Sustainability Index (DJSI) in the Emerging Market category for our progressive environmental, social and governance or ESG practices. We made a formal submission for Corporate Sustainability Assessment for listing on the DJSI and made it to the Emerging Markets Index with a Total Sustainability Score of 45 as against an industry average of 18, achieving a 93 percentile. We also secured an improved Carbon Disclosure Project rating of 'B' from 'C' earlier as per the 2021 report. We are working to establish a strong ESG framework that can endure the test of time and stakeholder expectations, whilst enhancing our responsible corporate citizenship.

- Biocon has been selected to participate in the Government's Production Linked Incentive Scheme 2.0 for the pharmaceutical sector. Under the scheme, Biocon will receive financial incentives of up to ₹250 Crores over a period of six years, linked to investments in manufacturing infrastructure and corresponding incremental sales of pharmaceutical goods. Several companies had applied for the scheme and we were among the 55 companies that were selected based on parameters such as manufacturing investments over the last 10 years, number of regulatory approvals, R&D spends as a percentage of manufacturing revenue, etc.

I would now like to turn to certain management updates.

- Biocon Biologics has appointed Matthew Erick as the Chief Commercial Officer – Advanced markets. Matthew's appointment reflects our strategic intent to build commercial capabilities in the advanced markets of North America, Europe, Australia and New Zealand. Matthew will be based out of the US.

- A second management update relates to Dr. Mandar Ghatnekar who has been appointed as Chief Digital Transformation Officer at Biocon Biologics and will be leading their IT and digital solutions initiatives.

- Ajit Pal Singh has joined us at Biocon Biologics as Head Branded Formulations – India. Ajit will be responsible for spearheading near term plans and long-term strategic investments for our existing portfolio as well as building brands to drive sustainable growth.

I will now move on to the financial performance of this quarter:

- At a consolidated group level, revenues for Q3FY22 were ₹2,223 Crores versus ₹1,885 Crores, a year-on-year growth of 18% and a sequential growth of 14%.

- Revenues from our Biosimilars business delivered a robust year-on-year growth of 28%, while that of our Research Services business grew by 10% and Generics’ revenues grew by 7%.

- We recorded a forex gain of ₹19 Crores this quarter as compared to ₹6 Crores during Q3FY21.

- A mark-to-market loss of ₹77 Crores arising on Biocon Biologics’ investment in Adagio Therapeutics is reported for the quarter.

- We also recorded a gross R&D spend of ₹178 Crores for this quarter, which corresponds to 12% of revenues, ex-Syngene. Of this ₹138 Crores has been expensed in P&L, whereas the balance amount has been capitalized.

- Core EBITDA margins i.e. EBITDA margins net of licensing, forex, mark-to-market loss on Adagio investment and R&D stood at 33% compared to 31% in the same quarter last year. This is on account of an improved performance in both Biosimilars and Generics.

- EBITDA for the quarter was ₹537 Crores, a 25% year-on-year growth. The EBITDA margin stood at 24% as
against 23% reported in Q3FY21.

- **Profit Before Tax** or PBT for the quarter stood at ₹269 Crores, up 14% versus ₹236 Crores during the same quarter of the last fiscal.

- Net profit for the quarter stood at ₹187 Crores versus ₹169 Crores in Q3, a growth of 11%.

- However, if we adjust for the mark-to-market loss on investment in Adagio, our EBITDA during the quarter would be ₹614 Crores, reflecting an EBITDA margin of 28% as against the reported margin of 24%.

Profit Before Tax for the quarter would be ₹346 Crores as against the reported ₹269 Crores.

Let me now turn to the performance of our business segments during the quarter.

**Generics:**

- The Generics segment delivered quarterly revenues of ₹607 Crores indicating a sequential growth of 15% and a year-on-year growth of 7%.

- Profit Before Tax for the quarter stood at ₹67 Crores versus ₹53 Crores in the same period last year. PBT margins were up 11% as against 9% in the previous fiscal.

- The business saw a robust sequential growth due to the successful launch of our vertically integrated complex formulation, Everolimus, in the US, which was also a Day-1 launch for its 10 mg strength. We also had a good uptick in our API business. The launch of Everolimus was also a key driver in the year-on-year growth of the segment. Since the launch, the product has gained traction and we expect that this product will continue to contribute to the growth of our generics portfolio.

- During the quarter, operations, which had been impacted due to COVID-related challenges in previous quarters, started normalizing. However, the business continued to face pricing pressure headwinds in various markets. While margins improved for the quarter, there was an impact on profitability due to higher raw material costs, particularly solvents, and higher costs of logistics. I think, this has been felt across the industry.

- During the quarter, we also continued to make progress on our product pipeline. Following the Remote Interactive Evaluation conducted by the US FDA in the last quarter for our oral solid dosage manufacturing facility in Bengaluru, we received an ANDA approval for Mycophenolic Acid Delayed-Release Tablet at the end of November. During the quarter, we also received the dossier approval for Everolimus tablets and Fingolimod capsules for the EU market.

- In line with one of our strategic priorities to expand our presence in newer geographies, we signed a partnering deal with Tabuk Pharmaceuticals to commercialize several specialty generic medicines in the Middle East and North Africa region. This is an important milestone for Biocon as we strengthen our commitment to provide affordable healthcare for patients around the globe.

- Our greenfield Immunosuppressant API manufacturing facility in Vishakhapatnam remains on track to be commissioned in FY22, with qualification and validation in FY23.

- As we add new capacities, accelerate new product launches in key markets supported by our efforts for driving cost efficiencies, we expect continued growth in the quarters to come.
Biosimilars

- Biocon Biologics recorded revenues of ₹981 Crores for Q3, a year-on-year growth of 28% and a sequential growth of 32%.
- EBITDA for the quarter was up 12% year-on-year at ₹236 Crores. This includes a mark-to-market loss of ₹77 Crores made from the investment in Adagio at its IPO.
- Core EBITDA including R&D, forex, licensing income and mark-to-market loss on Adagio investment stood at ₹363 Crores which is up 27% year-on-year. Core EBITDA margin was at 38% for the quarter, in line with the same period last year, demonstrating our ability to profitably grow this business.
- Profit before tax, excluding the mark-to-market loss on the Adagio investment, stood at ₹201 Crores which is up 82% year-on-year.
- The strong growth in revenue and profits are backed by robust demand across products and geographies.
- We launched our 351(k) biosimilar insulin Glargine in the US paving the way for interchangeable biosimilars in the region. The US Court of Appeals for the Federal Circuit has ruled in favor of our partner Viatris on all the five Sanofi Lantus® SoloSTAR® device patents vindicating our long-held position on intellectual property.
- We expect significant uptake of the product in the US evidence by several commercial arrangements already in place. Semglee has received preferred status in the national formularies of key PBMs including Express Scripts and Prime Therapeutics and will also be offered through Walgreens Prescription Savings Club. Viatris has established a range of options to support patients such as Patient Assistance and Co-pay Programs.
- We continue to see gradual improvement in the market share of Ogivri in the US, which was pegged at 11.4% in December. It continues to be a leading biosimilar Trastuzumab in Australia and Canada.
- We are witnessing growth from Europe with steady improvement in performance in the markets where Viatris is present.
- We have seen impressive growth in the Biocon Biologics led commercial franchise in emerging markets. We have made good progress on our strategy of entering new markets, enabling sustainable growth in our B2B business. For example, we have forged commercial partnerships for biosimilar Bevacizumab in about 20 countries post the EMA approval in April 2021. The Branded Formulations India business which is our front-end commercial engine in India continues to see healthy growth with nine months revenues for FY22 exceeding the full year FY21 revenue.
- We continue to progress our Wave 2 R&D pipeline and expect some of them to enter the clinic this quarter.
- Encouraged by the demand for our current insulin globally and the pipeline ahead of us, we have initiated investments for the expansion of our insulin manufacturing facility in Malaysia.
- Our strategic alliance with Serum Institute Life Sciences which involves a merger of Covishield Technologies Private Ltd into Biocon Biologics with effect from 1st October 2022 is on track. We will be submitting the relevant regulatory filings this month.
- To summarize the strong performance of the biosimilars business underpinned by its robust business fundamentals, validates its long-term potential. There are multiple near-term catalysts, such as revenues from the vaccines alliance with Serum Institute and the US launch of biosimilar Bevacizumab, Aspart and Adalimumab in the future, which will further propel the business.
**Novel Biologics**

- Equillium, our US based partner, is on track to initiate a Pivotal Study in early 2022 for the use of Itolizumab in First-Line treatment of Acute Graft Versus Host Disease.

- Equillium is also conducting a Proof of Concept study for its use in systemic lupus erythematosus (SLE) or Lupus Nephritis (LN). SLE is an auto-immune chronic inflammatory disease with over 100,000 patients in the US and over 45,000 patients in India, many of whom do not respond to standard available therapy of steroids and immunosuppressive drugs. We believe Itolizumab can address this unmet need with better remission rates, more durable responses and a better safety profile.

- Our clinical strategy for Itolizumab was further supported by the recent publication of a manuscript in the ‘Journal of Clinical Investigation’, highlighting the contribution of CD6-ALCAM pathway in Lupus Nephritis.

- After observing positive trends in the Part A of its Phase 1b EQUALISE study for SLE and LN indication, Equillium has also now expanded the Part B portion to clinical centers in India, after obtaining approval from the Drugs Controller General of India.

- During the quarter, our Boston-based associate Bicara Therapeutics, completed enrollment for the dose finding part of the Phase I trial for its lead program, BCA101, as a single agent and in combination with a PD1 inhibitor. Bicara established all doses tested to be safe and tolerable for both monotherapy and in combination and is on track to open three expansion cohorts at the start of 2022.

**Research Services – Syngene**

- Revenue from operations stood at ₹641 Crores for the quarter, indicating a year-on-year growth of 10%.

- Profit Before Tax for the quarter increased by 10% year-on-year to ₹128 Crores.

- Discovery Services and the Dedicated Centers were key growth drivers, while Development Services and Manufacturing Services delivered sustained performances.

- A significant milestone for Syngene in the Dedicated Centers was the extension and expansion of the long-standing multi-disciplinary research collaboration with Amgen until the end of 2026. Last year, BMS also extended their contract by 10 years. This confirms the stability of both relationships and demonstrates the strategic value that Syngene provides to help their partners build successful pipelines.

- Syngene is well-positioned to meet the evolving requirements of their clients and the Company has raised their revenue growth guidance for the full year from mid to high teens.

I would now like to conclude my remarks by saying that we are tracking well across our businesses. And we are confident that we will end this fiscal on a strong growth trajectory. I once again wish you all a happy, safe and hopeful 2022 and I would now like to open up the floor to questions. Thank you.
Q&A Session

Nikunj Mall: Thank you, Ma’am. While we wait for the queue, I would like to remind everyone, should you need to raise any question, please select the ‘Raise Hand’ option under the ‘Reactions’ tab of your Zoom application. We will call out your name and unmute your line to ask the question. The first question is from Damayanti Kerai from HSBC.

Damayanti Kerai: Hi, Good Morning. This is Damayanti from HSBC Securities, Mumbai. So, thank you for the opportunity. And my first question is regarding your launch of Semglee interchangeable product in the US. So, since you launched the product in November 2021, can you share like what kind of response you have seen so far from your competitor in response to your interchangeable launch, whether they have gone more aggressive in terms of pricing offer or some other changes which you might have noticed in the market? Thank you.

Shreehas Tambe: As we discussed in the past, many of these formulary listings happened in the July to September timeframe and we were very successful. Our partner Viatris was able to win a preferred status with Express Scripts in the formulary contracting cycle, which allowed us to get a preferred status displacing Lantus, which was the preferred brand until then. So clearly, we’ve been able to displace some of the incumbents and move them out from that preferred status. So, we really see FY22 as a place where we will be in a position to move the market in the manner that we projected. So, we’re not really looking at a competitive dynamics playing out during the course of the contracting cycle with the accounts that we’ve been able to secure.

Damayanti Kerai: Thank you, Shreehas and my second question is again on Semglee. So, obviously you have got listed in some of the biggest PBMs in the US. So, any update on your progress towards moving to a government program, whether it’s Medicaid or Medicare?

Shreehas Tambe: If you look at the launch strategy that Viatris came up with, we came up with a dual-brand strategy. And that dual-brand strategy was essentially to address exactly the kind of question you’ve asked where we address patients in all types of segments regardless of their insurance or their payment plans, whether it is in the commercial space or the formulary listings, which is roughly about 30% of the market, or the Medicare Part D which you just referred to which would be around 35% of the market or the government-supported programs or the part where we have managed Medicaid part of it, which would be another 15 to 17%. With these initiatives in the two-brand strategy that we’ve come up with, and the programs that Viatris has launched, whether it is the Senior Citizens Programs or the Walgreens Prescription Saving Programs, we are looking to cover patients across the spectrum regardless of their copay strategies, so that we can really provide this affordable biosimilar interchangeable insulin to patients in the US. So, it’s a very comprehensive strategy to provide this insulin to people with diabetes in the US.
Thank you. I'll get back in the queue.

Thanks, Damayanti. Next question is from Tarang Agarwal from Old Bridge Capital.

Hello, Good Morning. Two questions from my side on appointment of Matthew if you could give us some broad brush on the scale of commercial capabilities that is being envisaged on the front end, and would the focus be concentrated on specific therapeutic areas?

If you've seen over the last few quarters that we've come back, we've actually built our leadership team and leadership capabilities across all parts of our business. And during the last three quarters, we've set up our emerging markets commercial front-end with a very strong leadership. In fact even today, Kiran’s announcement saw that we've strengthened our commercial front-end further in India despite the fact that we've performed very strongly in the current three quarters which have exceeded the full year revenues of last year. Our conscious strategy has been that we expand our presence into advanced markets and Matthew joining us is basically to expand into the vision and the strategy that we had set for ourselves. Starting with our Recombinant Human Insulin which becomes our first product to get into the US market and then to get our Wave 2 products across the various geographies where we intend to commercialize our products across the world. We have always developed a global biosimilars business, and now that we've strengthened our presence in emerging markets and in India, we're looking to expand this to the advanced markets as well. So that's where Matthew is joining us.

The second on Semglee, can you give us some sense on the strategy behind launching branded and unbranded Glargine.

Yeah, so I just explained on a previous question to Damayanti. I think the important part was to cover patients or people in all types of insurance coverages that they would have, regardless of whether they have a particular formulary listing and a coverage through a particular formulary or not. Because we may have a coverage with some of the largest formulary with the National Formulary listing with Express Scripts and Prime Therapeutics, but there could be people who will be in need of Semglee or the insulin Glargine interchangeable, who may not be in this coverage and that's where we brought in the second brand, which then allows us for a much wider and broader coverage, regardless of any particular patient's insurance coverage. So that's really the thought behind it.

Thank you.

Next question from Surya Patra from Philip Capital.
Surya Patra: Thank you for the opportunity and congrats on the good set of numbers, my first question is on the sequential swing in the biosimilar business what we have witnessed. Is it fair to believe that the largest chunk of that has come from the interchangeable Semglee? And a related question on that, so the interchangeable branded version, Semglee has been launched at double the price of the earlier version, so what is the difference in profit efficiency that we’ll witness going ahead since this is going to be kind of a very chunky contributor throughout this calendar year given the exclusivity that we will be having?

Shreehas Tambe: The sequential growth that we've talked about, I think for the last three quarters we've essentially had sequential growth all through and we had to say that while we've had growth in all our segments - across products, I think a large part of our growth has also come because of the launch of the insulin Glargine interchangeable in the US, that's a fair comment. And we expect some of this to stay as we get into Calendar 2022. So this kind of increase sequential growth is something that can be driven by the insulin Glargine and that is a fair point. The second aspect where you talked about the markets and whether there is an opportunity to see that these margin improvements will happen over time. I'll defer that question to Chinni to respond to that second half of the question. Chini over to you on that part.

M.B Chinappa: Sorry, I didn't catch that second half of the question. But yes, the sequential growth is for Q3 particularly is on the back of the bigger starting supplies of interchangeable insulin for the US market. We see that picking up as you go into 2022 and of course, the profit shares that will flow through as this converts into market sales, because right now what you see in our Q3 books is just a supply of product from Biologics to Viatris. In terms of pricing and profitability, we don't want to comment on that. And I would say, there's always a gross price / net price, but we don't comment on pricing.

Surya Patra: I think there are a couple of new initiatives that have been taken by the company. So if you can provide some clarity on those initiatives. Let’s say, for example, about PLI that was mentioned, can you share something about the kind of investment commitment and the nature of the products that you would be targeting, whether future initiatives on the PLI front is entirely fermentation-oriented? Secondly, even on the vaccine foray through the Serum Institute alliance, so how confident are you in terms of optimally utilizing the targeted capacity of the Serum that is around 10 Crores doses per annum, starting from let's say, second half as you have mentioned? So, that is the second and similarly, the third question that I would ask here is that how should one look at the losses of ₹150 Crores that has been booked so far related to the investment into Bicara? So, if you can clarify these three new initiatives, then I think that will give a greater clarity about the next year’s performance.

Siddharth Mittal: Surya, as you know, the Government announced the second PLI scheme which was not necessarily linked to any products. It was a broad-based scheme which covered complex generics, biosimilars. And as a group, we are investing heavily in capex whether it's in
Syngene or biosimilars or generics businesses. In the category B, where we had applied, we were the top company which was selected and the benefit would be ₹250 Crores, which will come over a period of six years on incremental sales. Revenues which will be eligible for this would be coming from both generics as well as biosimilars. There's no change in strategy as far as investments are concerned in capex because we continue to invest irrespective of this incentive. In generics segment, we are investing in fermentation, synthetic and peptides facilities and in Biosimilars segment, we are investing in expanding our insulin capacities in Malaysia, which obviously does not qualify for PLI benefit but other antibody facilities for biosimilars in India will qualify. As far as Bicara’s investment is concerned, we have residual carrying value of investment in our books of ₹25 Crores, which we expect would be going through the P&L in the fourth quarter. Bicara is in discussions with third party investors to raise funds to advance its pipeline. As we had said, Bicara will look at external fundraise for future R&D expenses.

We expect some movement in the fourth quarter, after which we do not expect expenses to be included in consolidated P&L.

**M.B Chinappa:** I will take the vaccines question. Yes, of course we see very strong demand for our vaccine portfolio. Initially, of course, there's a bias toward the COVID portfolio, then rolling into the next-gen vaccines, and then progressively as we enter developed markets, which is our medium to long-term plan. To convert that into financial terms, initially at the pricing we believe this could play out where 100 million units could translate to close to $400 million of revenues and profits, which is in-line with our core EBITDA margins, which is in the mid to high 30s.

**Surya Patra:** Whether you have started some marketing efforts there, why because just marketing around 10 Crores or 100 million doses from nowhere, whether it would be a staggered ramp up that is why or you have taken off your marketing efforts seriously and hence, you're confident to utilize optimally where we were in the first year?

**M.B Chinappa:** Yes, there are lots of joint commercialization efforts underway. And we believe that revenues will start to play out right from the start of the merger. Right now, it will be to CTPL and when CTPL merges into BBL, we will record the revenues.

**Surya Patra:** Thanks a lot.

**Nikunj Mall:** Thank you Surya. Next question is from Shyam Srinivasan from Goldman Sachs.

**Shyam Srinivasan:** Hi, thank you for taking my question. Quick, three questions and I'll stop. So first one is on, if you look at biosimilar pricing that is if you look at the latest 3Q calendar data from CMS, another 6-7% decline Q-o-Q, brands have taken 3% cut, so both the two sets - both brands and biosimilars have taken significant cuts. If I were to plot the 15-16 quarters, since biosimilars have launched in the US, we have seen a 50% drop in prices. So, just want you to comment on how you look at pricing? In fact, if I look at Biocon it has taken some of the lesser pricing, so how should we kind
Shreehas Tambe: Hi Shyam, thanks for your question. I think let's talk a little bit about price erosion first. I think the important thing is that and I've talked about this before, the general acceptance of biosimilars, particularly in the US which was something that was a big question mark has been quite resoundingly addressed that there is no concern around biosimilars acceptance. So that's a very positive takeaway. We are seeing multiple players enter the market and be successful now, there is acceptance of that. We also aren't seeing a very steep decline which we were expecting with increased competition. That's the whole idea behind having biosimilars, that's the whole idea behind having competition to see that there is a more affordable option to the brand and we have expected this all along and we've signaled that right from the beginning. The US has been a more accommodating steady market where price sanity has prevailed, if you look overall. Basically, between Viatris and us, our strategy has been to preserve value as we've gone through the not chase market share in pursuit of that. We've not eroded value, like many others. So, we continued to hold on to that and our market shares have been steady in that 8 to 10% market share range that we've had whether it is in Fulphila or whether it is in Ogivri and we of course see it now inch forward with Semglee with the discussions we just had now recently. In Europe, we see a slightly different trend, it's not a homogeneous market, it's a heterogeneous market with several market archetypes where you see that there is a single-win tender. Particularly in the Nordics, you would see a more aggressive pricing trend and you would see winner takes all kind of strategy and then there is more aggressive pricing in such markets in certain cases. In most other markets within Europe, you have also seen a position where there are mandated price reductions year-on-year once there is a first biosimilar launch. So, some of these are predicated, some are pre-decided and we are seeing that given that there is a 10 to 25% reduction, which you would have factored in, the market remains in the line with where we had expected it to move. Emerging markets sometimes have surprised us with the kind of price that they've held on to and that's where we've also seen encouraging signs for the products that we've brought to market. Kiran talked about signing 20 new partnerships in recent times in emerging markets and we are encouraged with the response that we've received in several markets and the partners that we're working with. So, on the whole, I would say price erosion is along the expected lines, and really something that biosimilars were expected to do as a basic principle to bring them into the market. So that was the first question. Let me answer the third question that you talked about where you asked us about the EM versus DM split for the quarter and I think what's been our case so far is with the launch of the interchangeable insulin in the US, we are starting to see that the needle began to move towards the developed markets, but still at this stage, I would say given that we've had a strong emerging market performance it's more or less at this point at around the
50% mark. So, it's balanced still. We expected to probably start moving as we gain more supplies into the US with Semglee and other products. I will leave the question on speculation out at this time, because there's no point responding to speculation but unless Arun or Kiran want to respond to anything beyond that.

Shyam Srinivasan: Maybe the question then on capital allocation.

M.B Chinappa: Of course there are three types of investments needed to be successful in the biosimilar market. So, it’s R&D, capex and the commercial infrastructure. As you've seen, we've been investing quite significantly in building our capex, capital infrastructure to service both the developed and ROW markets. So, significant amount of investment has already been made. We expect that to play out over the next two years as we commission one of the large-scale monoclonal antibody facilities in the coming fiscal and another facility in FY24-FY25 timeframe. R&D investments, you will see that going up as we bring some of our Wave 2 molecules into the clinic. But clearly there is a lot of investments going into this both in building the capital infrastructure, capex and the R&D investments needed to give us that medium to long term growth from Wave 2 and Wave 3 molecules.

Nikunj Mall: Thank you Surya. Next question is from Prakash Agarwal from Axis Capital.

Prakash Agarwal: Hi, Good Morning to all. A question is on R&D, so we saw in the last two quarters, R&D is kind of coming off. It's down 5% y-o-y on nine-month basis. Just wanted to understand, how do we see this for the rest of the year as well as next year, what would be the outlook and is there any update on the Sandoz pipeline, we had talked about that around calendar 2022 we will give some color. So these are two questions.

Shreehas Tambe: So, Prakash I think we have talked about it in Kiran’s opening remark as well. Our R&D pipeline has been quite robust. We're in fact looking to get our products into the clinic this quarter. So, you are right in noting that our R&D expenses so far have been more or less not as high as we would have expected. That's because our products have not hit the clinical stage until now. But this quarter, we are expecting them to be in the clinic and you will see that there'll be a big catch up in terms of the R&D development investments that we will be making once these products move into the market. In terms of the Sandoz pipeline, we had talked about these products being under development and we will disclose to the investors once we've reached that stage, where we can talk about them publicly.

Prakash Agarwal: So, any outlook we can give for the R&D expense next year, like we always do about 12 to 15% which has been our outlook for the Fiscal 2022.

M.B Chinappa: Hi Prakash, we will be in a better position to give you guidance for FY23 as we draw our full-year plan for next year. But yes, we see this trending upwards.
Prakash Agarwal: Okay, and is there any update on the RH insulin progress, I mean I learned from the investor deck that you know it is progressing. What are the timelines we are looking at in terms of going to the next level and approval if all goes well?

Shreehas Tambe: In terms of our RH insulin program there are multiple products that are in the human insulin franchise and we are developing all of these products to bring them to the US. At this stage, we've progressed with the soluble products and we've moved that for further discussion with the agency. We are working to bring the other products as well to the agency and we will of course, discuss in more detail once we are ready to have a more complete conversation on that Prakash but we are moving on that as plan.

Prakash Agarwal: Okay, and lastly mix of the conversation we had now, so R&D going to increase a bit, cost structures given that we are planning to expand in vaccine commercialization, etc. will go up, at the same time we have higher value insulin Glargine, on a net basis I assume it will add more value. So, what is the margin trajectory that we are looking for next year given we have some big products as well as big scale up of future products?

M.B Chinappa: For the biosimilars business, we see core EBITDA margins sustained or improving as we go forward with both the addition of the vaccines business and the increased mix of developed market sales to our total sales. So those two things will help to maintain and grow our core EBITDA margins. On R&D, I'm not yet in a position to give you specific numbers.

Prakash Agarwal: Okay, this is despite assuming R&D expense will increase?

M.B Chinappa: The core EBITDA margin is before R&D.

Nikunj Mall: Thanks Prakash. The next questions from Yash Tanna from iThought Portfolio Management Services.

Yash Tanna: So, Good Morning team and congratulations on good set of numbers. So my first question is regarding Viatris and Biocon, so we have won the litigation against Sanofi for Lantus Solostar and we have mentioned in the press release that the market for Lantus is $1.4 billion and Lantus SoloStar is around $5.1 billion. So, my question is, I want to understand the total addressable market for this Glargine product so it would be around $6.5 billion or $1.4 billion only for the Lantus? So that's my first question.

Shreehas Tambe: So, there are two different products, we have Lantus which is sold in terms of SoloStar as a prefilled pen and they also sell it as a 10 ml vial, which is also called as Lantus, and Viatris and Biocon Biologics are the only players in the market which has both these products. So, we would essentially have a complete offering of products and we would have the full addressable market of $6.5 billion.
Yash Tanna: Thank you. And the second question is a product-specific question - a drug called Victoza with sales around $2.8 to $3B. I believe the patent is expiring in 2023 and the API is Liraglutide, which I think we have filed in September 2021. So, my question is, what is the status on that approval and what kind of economic opportunity can that present to us?

Siddharth Mittal: The product is being developed by the Generics business. It's a very large product in the US and Europe. We have filed the DMF and we will soon be filing our ANDA in the US. We hope to be in the market in-line with the second round of companies that will be launching because there are couple of settlements for Day One launch. We expect to launch the product in FY25.

Yash Tanna: My third question is around the Novel Biologics segment. So, I went through an interview of Equillium’s CEO, Mr. Bruce Steel, where he mentioned that early next year, they will initiate trials for Itolizumab for Acute GVHD and if those trials are successful, it will be approved for the first line treatment of Acute GVHD, which is more than a $500M market in the US, what he mentioned. And then I went through the Equillium annual report that mentions that there are few milestones payments that we can receive upon the approval and sale of this drug which is around $550 million and I think, we also have an exclusive supply arrangement with the Equillium. So, my question is what does the approval of Itolizumab present for Biocon in economic terms?

Siddharth Mittal: Well, there are milestones linked to the various development stages for different indications. The most advanced indication is Acute GVHD, which is also an orphan indication. We expect once the trial starts this year, Equillium will be able to make good progress in the next couple of years. There are milestones linked to filing of the BLA and its approval and then, there are royalties, which are applicable on sales. We will be supplying the product wherein the product itself will be manufactured by Biocon Biologics, since it's an antibody. We will be supplying to Equillium at a cost-plus markup.

Yash Tanna: So, can we quantify any numbers in terms of milestone payments?

Shreehas Tambe: Yash, it's little premature to comment on the payment because we are still few years away.

Yash Tanna: Okay. Thank you. These are my questions and best of luck to the team.

Nikunj Mall: Thank you Yash. Next question is from Nitin Shakhder from Green Capital.

Nitin Shakhder: Hi, Good Morning to the management and Good Morning to Mrs. Kiran Mazumdar-Shaw as well. I have two simple questions. My first question is in relation to the strategic alliance between Biocon Biologics and the Serum Institute Life Sciences. Does the management feel that in terms of the growth of the communicable
diseases and the vaccine market seems to be far higher in the future versus the growth in biosimilars? Can you sort of comment on that point, please?

Kiran Mazumdar-Shaw: I don't think it would suggest that communicable diseases are likely to grow much faster in terms of the vaccines than biosimilars. These are absolutely two separate categories, I think as a company that is focused on global healthcare, up until now, we were really focused on non-communicable diseases and this pandemic actually shone the spotlight on communicable diseases which we had not really looked at seriously. And we believe that in the future, it's important as a global healthcare player to cover both communicable and non-communicable diseases. I think each one of these businesses has its own growth potential, its own growth segments and we believe that obviously, from our business point of view, the pharmaceutical and biopharmaceutical opportunities are the primary focus for us as a company. But we also believe that vaccines can add to this focus and make us truly a global healthcare company focused on both aspects of disease.

Nitin Shakdher: Thank you ma'am. My second question is in relation to the specific partnership with Adagio Therapeutics to manufacture and commercialize the neutralizing novel antibody. So, I just wanted to get a sense of what are the specific products which are going to be launched for the prevention of the treatment? Does the management have a sense of the product line at this point in time?

Kiran Mazumdar-Shaw: Well, the principal product is a product called ADG20, which is an engineered monoclonal antibody for the treatment of COVID-19 and at this point in time of course, its efficacy on all previous variants was very high. And therefore, it was considered to be a very differentiated antibody and because it was an intramuscular jab as opposed to an IV infusion, it had a very strong differentiated profile. It had high efficacy with all previous variants, as well as a very differentiated drug delivery profile, which is why we believe that this was a very good partnership and it is a very good partnership. Recently, they had a setback because the efficacy vis-à-vis the Omicron virus was substantially reduced. However, they have also shared in the public domain that the reduction in efficacy of their antibody is no different to that of the two antibodies, the Vir/GSK and AZ antibody cocktails, which also have shown a reduction in the efficacy to treat Omicron patients. So, they believe that they're on par with these other antibody preparations and they would like to now actually have an adaptive trial design that can actually enhance the dose form of their current dosage to see if they can actually deal with Omicron in a better way. So, I think that's the reason why they've had a bit of a halt in their clinical trial program but having said that, they have indicated to us that ADG20 continues to be a very important opportunity, a very important product. And as you know, the pandemic is not over as yet, we don't know what variants will come next. But at this point in time, we believe that this pandemic does require treatment interventions and we believe that antibody treatments are a very important part of this treatment that is required for dealing with the pandemic.

Nitin Shakdher: Thank you, ma'am. Thank you for the clarification. So, that's all from my side and all the best for the next financial year.
Nikunj Mall: Thanks Nitin. Next one is from Sameer Baisiwala from Morgan Stanley.

Sameer Baisiwala: Good Morning everyone. My first question is on Aspart. How are you thinking about the CRL issued by FDA and is it connected with the six open observations and by what point do you think you will be able to resolve this and get the approval?

Shreehas Tambe: Hi Sameer. The CRL was a disappointment for us. We have gone through the CRL letter and there are essentially two aspects to it. The agency came back to us and said that there was a particular diluent, which is used alongside the Aspart vial that we have and that is given to patients who are of very low body weight, particularly pediatric patients and they need this diluent to dilute their dose so that they can take that rapid acting analog. They wanted more information of that diluent which is essentially used along with some excipient. So, it doesn't have the product at all. So, it's a separate product in itself. So that is something that we have to provide more information to them which we are working to provide and the second one was the updates on the inspection that we had provided them in terms of the CAPA responses that we had given them. And they wanted us to provide a complete piece of that data and we will be submitting that information to them. We have been in correspondence and dialogue with the agency to understand the background and that is currently ongoing. Once we are done with that, we should have a more clear picture on how we will be able to and how quickly we will be able to resolve CRL.

Sameer Baisiwala: Yeah, thanks. But Shreehas putting these things together, do you think you’d be able to secure the approval in time for contracting for 2023 or is there a risk that we will slip into later part of this year?

Shreehas Tambe: So, the way it was scheduled is that we were looking to be in time for the second half of the year and we expect to be there with that. We will of course know once we interact with the agency. To give a commitment on behalf of them, and when the agency will decide would be actually going too far. But we are hopeful and let's see how the discussions progress.

Sameer Baisiwala: The second question is on insulin Glargine, when you have done the contracting already for 2022, how do we think about the volumes and the pricing? Are these open like you just have sort of a broad umbrella sort of contract or are they more specific, if you can share your thoughts on this?

Shreehas Tambe: These contracts are drawn up by our partner Viatris along with the various customers that they’ve got. We may not be able to share a lot of detail around it. But these are contracts that are executed for a contracting term, which is in some cases an year, in some cases two years which could be defined as such. But we believe that we’re not looking for a quarter on quarter change or believe this to be a sustainable revenue stream for us, or a volume stream for us which is why we’ve guided that some of these things will be much more steady going forward for us.
Sameer Baisiwala: Okay, thanks. One final question from my side, if I may, is on the generic business. So, if you can just respond to two parts. One is I believe you have spent ₹600 Crores on the Vizag facility. So what kind of asset turnover can we expect from this and over what time period? And second is on the PAI inspection that was done a few months back - any update on that final approval? Thank you.

Siddharth Mittal: Sure, Sameer. It will be difficult to quantify asset turnover because the output from Vizag facility would go both for our API business as well as for our formulations business. The Vizag facility will augment existing capacity in Bangalore. As you know, immunosuppressant has been our biggest growth driver in the last couple of years and we are capacity constrained and we definitely see a huge growth coming in from this investment. We will also add more fermentation capacity beyond immunosuppressants in Vizag. Being a greenfield investment, a lot of capex on common infra was included in the ₹600 Crores. In terms of asset turnover, as I mentioned it will be difficult to quantify but you can look at our API business’ asset turnover which was in the range of 1.25x to 1.5x and for the formulations, it's a little over 2x. I don't expect asset turnover from Vizag to be anything lesser than this, once facility is fully commercialized.

Sameer Baisiwala: Thanks Siddharth. Also, on PAI inspection?

Siddharth Mittal: The PAI inspection was concluded for our formulations’ facility. Immediately after that, we received the approval for Mycophenolic Acid in November 2021. We have couple of more drugs, which are pending approval and we actually expect to get some of these approvals during the fourth quarter.

Sameer Baisiwala: Okay, great. Thank you.

Nikunj Mall: Thanks Sameer. Next question is from Harith Ahamed from Spark capital.

Harith Ahamed: Good Morning. Thanks for taking my questions. My first question is on Aspart, so when I look at our biosimilar launches in regulated markets in the past like Pegfilgrastim, Trastuzumab and insulin Glargine, those were followed by successful launches of these products in India and some of the emerging markets. So, for Aspart can we expect a launch in India in the near term, I see that there are fairly large brands from the innovator in Aspart in India?

Shreehas Tambe: So, we have always developed a global franchise of whichever product we have picked. Now, I don't want to specifically talk about a particular market but whichever products we've picked, the idea has been to build a global franchise for each of the molecules that we brought to the market. It could be depending on the business cases of a particular market or the specialties of a particular market that they could be timed differently, but the intent would be to see that it makes sense to bring them across.

Harith Ahamed: All right. Second question is on Novel Biologics. I see that we have been booking some revenues in the segment, not very material number but ₹10-15 Crores in the
last two or three quarters. So, is this related to any specific programs and is this part of the licensing income that we're disclosing?

**Indranil Sen:**

So, this is actually intercompany billing that is done from India to Bicara US and Bicara being an associate, this intercompany billing does not get eliminated. So the corresponding leg is sitting in R&D cost and shown as a share of loss under Bicara. So this is not really a third party.

**Siddharth Mittal:**

This is on account of Biofusion inter-company billing to Bicara.

**Harith Ahamed:**

Last one, again an accounting-related question. What is your current stake in Adagio? And I'm also trying to understand the rationale for taking the MTM losses through the P&L and not through the other comprehensive income.

**M.B Chinappa:**

We got a small minority stake in the business where we invested $5 million in Adagio. I don't have a specific percentage but it's a small minority percentage. The thing of routing this through the P&L is we saw this as a short-term investment and thought we will take it through the P&L and exit this fiscal but the price has moved quite a bit as you saw in Q2, we had gains playing out because of Adagio and this quarter we have a huge loss. In retrospect, say that we should have not taken it through the P&L but it is a decision we have made and we'll be looking to exit from this investment in the near-term once the price step rises.

**Nikunj Mall:**

Thanks, Harith. Next one is from Vikram Agarwal from SCA Stock Brokers.

**Vikram Agarwal:**

Good Morning team. Just one small question. In the recent past, one of the prime reasons why the results had suffered was because of logistical issues such as due to COVID hospitals in the US not being able to treat major therapies, diseases like cancer and the other things and delays in US FDA approvals. So, what do you think is the situation of these and can you comment if these problems have abated or we can expect certain similar problems arising in the future also? Thank you.

**Shreehas Tambe:**

Vikram, some of these logistics issues as I think if you noted Kiran's initial remarks, I think the pandemic as we've thought that it has been behind us but it's actually come up with a new variant each time and each time it has come, it has really impacted the way we've tried to return to normalcy as a community. Likewise, in the US as well, where footfalls to hospitals have continued to be challenged for the non-critical treatments as much as they can, because whatever is critical has to happen. But some of these things have impacted as they continue to slow things down. But eventually these things will have to come back to normalcy. At this stage, we do see some trailing impact of these delays because of the COVID impediments that are there across the world. But I think as a community we are learning to deal with it, is the way we would see it.

**Vikram Agarwal:**

Great, thank you and all the best for the future.
Nikunj Mall: Thanks, Vikram. Next one is from Nithya Balasubramanian from Bernstein.

Nithya Balasubramanian: Thank you. So, two questions one on Semglee. So Shreehas, as you had mentioned you have the interchangeable product and you have the branded product as well. So, the question is, is Viatris retaining the sales force in 2022 and beyond? And the reason I'm asking is I'm assuming your profit share is net of their sales and marketing expenses.

Shreehas Tambe: Yeah, so in terms of the Viatris' commercial strategy, wouldn't want to comment too much on that, that's best left to them to address. But clearly, we are looking at Glargine as not just one product and the formulary having been listed in some of the top formularies being the end of the line. We're looking at more products to follow. And clearly, we're looking at a larger subscription than what we have got today. So, we don't necessarily see this as a be-all in terms of where it is. We're looking at a wider presence than what we've created. We see this as a beginning. So, wouldn't necessarily comment on the sales force increase or decrease specifically, as that may be a Viatris-specific question but we see this as a beginning of a franchise rather than just one win out of one product situation. In terms of how our profits are accounted, I will let Chini comment on that. Over to you Chini on that.

M.B Chinappa: Nithya, we have actually clarified in the past, the profit share with Viatris is based on gross profit and selling and marketing expenses is not a deductible.

Nithya Balasubramanian: Understood. Thank you. The second question was on Aspart, I think in the last earnings call, Lilly had commented that in the fast acting insulin, contracting is far more complicated. It happens along with premix insulins in a more bundled format, do you see this as a challenge to adopting your Aspart when it's in the market?

Shreehas Tambe: I don't specifically recollect that conversation but we've not heard of anything specific, Nithya, that could be a challenge that is specific to Aspart contracting. We do believe that we will have to be there at the table. We also believe that we will have a product which meets all the expectations of the agency and will be amongst the first interchangeable rapid acting analog as well. So, we believe we will have what it takes to be approved and be chosen over the competition. So, I don't know or can't recollect any specific challenges that you are referring to.

Nithya Balasubramanian: Thank you Shreehas. I was referring to what Lilly said in the last earnings calls about the way your contracting happening in a more bundle fashion along with premixes in the fast acting insulin category, that's what I was referring to. Thank you so much, and all the best.

Nikunj Mall: Thanks, Nithya. The next one is from Chintan Chheda from Quest Investment Advisors.

Chintan Chheda: Hi, Good Morning to the team and thanks for taking my question. So, my first question is related to Semglee. So just wanted to understand like up to what level of market share in the US this Malaysian facility can fulfill the requirements at
existing capacity? And this facility had some tax benefits in Phase I, so the same will be applicable for Phase II of future expansions?

Shreehas Tambe: In terms of the ability to supply the US market, I think we've got a very good capacity to supply the US market and we've said that in the past as well that we've built a global scale facility in Malaysia which is a very large integrated facility for drug substance, drug product and pen assembly, and we have continued to expand that facility as well. In fact today, we've also shared that, encouraged by the responses that we've seen, and the impending Aspart approval in the near future, we will be making even further investments on that site so that we can cater to even a higher market share than what we're looking for today. So, we are very confident in terms of the ability to supply the market. And we are looking much more aggressively in terms of volume shares as we get into more products over time. So, clearly in a very strong position on the capacity front to feed the market.

Chintan Chheda: And tax benefits, what were the tax benefits and do they stick if we go for further expansions?

M.B Chinappa: Yes, we do have very good tax benefit. We got a long 15-year tax holiday linked to our Phase I investments. We are engaged with the Malaysian authorities for incentive supporting for Phase II investment.

Chintan Chheda: Okay. Yeah, thanks for that and second questions related to Aspart. So, for the EU market we have the approval in hand. So, have we gone for the launch in that market? And if yes, then what has been the performance so far in this financial year?

Shreehas Tambe: We have got the approval in the EU and which is why we are very confident about the science and which is why they're looking for the right time to launch the product. At this time, Viatris is working out of the right launch strategy and the right markets to launch. As I've said before, Europe is not one country, it's a heterogeneous market and it's about timing which product to launch in which markets. They are working on putting that commercial strategy together. Given that we've crossed the bridge in terms of the approval part of it, we will be you know putting together that strategy with Viatris to bring the product to Europe, once that's put together.

Chintan Chheda: Okay, thanks a lot. That's it from my side.

Nikunj Mall: Thanks Chintan. Next question is from Patrick Stadelhofer from Atlantic Lion Investments.

Patrick Stadelhofer: Good morning, just one bigger picture question. How do you see the biosimilar partnership with Viatris and given how important biosimilars are becoming to your overall results, how do you strategically think about your ability to control your own destiny here, versus having to rely on Viatris which is a much smaller part of their business executing for you? Thank you.
Arun Chandavarkar: Patrick if you look at our portfolio of biosimilars where our initial portfolio was partnered with Viatris and they continue to be a strong partner for us on our initial wave of products. We've also talked about our increased R&D spends going forward, which essentially reflects the progress we've made on our future portfolio, which is not partnered with Viatris. So clearly, as our future portfolio matures we would be more balanced in terms of our commercial channels, what goes through Viatris and what goes directly through us. And we talked about making initial steps in building out our commercial footprint in advanced markets, through some of the senior hires, and this is the first step towards that destiny that you talked about. It is about being completely vertically integrated across R&D, manufacturing and commercial for our future portfolio.

Nikunj Mall: Thanks Patrick. Next one is from Vipul Shah from Sumangal Investment.

Vipul Shah: So my question is, what will be the capex for expansion of Malaysian facilities and what is the financial performance of the Malaysian facilities? What is the capacity utilization? What is the EBITDA level performance if you can comment that will be very helpful.

M.B Chinappa: So, the Malaysian expansion will come within our overall capex plans that is a capex spend of about $100-150 million per year. So, we look to fund the Malaysia expansion within this overall capex allocation. If you look at Malaysia’s performance for the quarter, this has been a very good quarter because we’ve had positive EBITDA and a near breakeven at the PBT and PAT line. As profit shares accrue from the sales of Semglee in the US, we see this trending upwards and Malaysia moving to full profitability in FY23.

Vipul Shah: So, a follow up to that, should we assume that Malaysia will at least breakeven from here on for subsequent quarters in the year?

M.B Chinappa: Yes, we strongly believe that Malaysia will be profitable going forward from Q4 onwards.

Vipul Shah: Thank you and all the best.

Nikunj Mall: Thanks Vipul. Next one is from Ashutosh.

Ashutosh Dobhal: Thanks for the opportunity. My question is how do you see Biocon different from today's Biocon in next 10 years? Thank you.

Kiran Mazumdar-Shaw: Thanks for that question. As you know, Biocon sees itself as a fully integrated global biopharma biosimilar company and I think one of the missing capabilities is to have a strong commercial engine for advanced markets. And I think in the next 10 years, we expect ourselves to be amongst the leading biosimilars companies globally as a fully integrated player in this particular segment with a very large portfolio of products. We expect to have one of the largest portfolio of biosimilars, catering to global markets and being dominant in many of these markets, especially some of the key of global markets,
which are the advanced markets and key emerging markets. That's how we want to see ourselves.

Nikunj Mall: Thanks, Ashutosh. The next one is a follow up from Surya from Philip capital.

Surya Patra: So, just a follow up on the small molecule side regarding this immunosuppressant dedicated facility what we have set up. So, with that, obviously, we will have a kind of a meaningful global positioning. So, can you just share, what is the current positioning in the global market so far, as far as APIs are concerned and the competitive position versus Chinese players? Post this plant, what is the equation that we can have? We know that there is a positive trend that is also likely to support that the alternate Chinese source equation, which is kind of a favorable wave, I believe. So, given all that, what are your expectations out of this immunosuppressant portfolio and let's say, even the fermentation capability as a whole that we have?

Nehal Vora: Thanks for the question. So, Surya, we already have a very well established client base for immunosuppressants and also our clients are well spread globally. And today, we have a large market share, be in advanced markets, emerging markets as well as domestic markets in India. For many of our existing immunosuppressants, we are unable to fulfill the market demand. So, we believe the additional capacities, that would kick in with our investment, would fulfill those demands and our leadership market position that we have would become even stronger. While there has been dearth of capacity for past 24 months, we believe that we would be able to overcome the sentiments against China and get a larger market share than what we have today.

Siddharth Mittal: If I may just add, in fact, we are working with many Chinese companies to sell immunosuppressants for the Chinese markets. You can understand, if the Chinese companies are buying from India, it shows the uniqueness and differentiated part of this portfolio, where there are not many local companies manufacturing these molecules and hence, they are sourcing from us.

Surya Patra: So is it is it a ‘free from China’ kind of product category?

Siddharth Mittal: From a logistics perspective or supply chain dependency, this is not dependent on China.

Nikunj Mall: Thanks Surya. I think this was the last question for the day. We thank you all again for joining us today. If you have any additional questions, please feel free to reach out to Aishwarya or myself. We look forward to seeing you again next quarter. Have a good day.