# “Eris Lifesciences Limited
# Q1 FY23 Earnings Conference Call”

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**MANAGEMENT:**

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**MS. KRUTI RAVAL, INVESTOR RELATIONS**

**Moderator:** Ladies and gentlemen, good day and welcome to the Eris Lifesciences Limited Q1 FY'23 Earnings Conference Call.

We have with us on call today, Mr. Amit Bakshi – Chairman and Managing Director and Mr. V Krishnakumar – Chief Operating Officer and Executive Director.

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 conference over to Mr. V Krishnakumar – Chief Operating Officer and Executive Director of the company. Thank you and over to you, sir.

**V Krishnakumar:** Thank you. Good afternoon and welcome to our conference call for the first quarter of FY23. I am Krishnakumar and I will be sharing the highlights of the quarter with you.

I am happy to open the call by sharing that our Zomelis mother brand has hit a monthly run rate of Rs.100 crores per annum on a monthly sales basis in just two and a half years from acquisition. This represents a growth of more than eight times in monthly sales since acquisition. When we acquired this brand, it was doing a monthly sale of Rs.1 crore and now the monthly sales are to the order of Rs.8.3 crores to Rs.8.4 crores. In addition, Glimisave MV has joined the club of brands with more than Rs.100 crores of annual revenue on a MAT basis.

Now we have three brands, clocking more than Rs.100 crores of revenue per year, namely, Glimisave M, Glimisave MV and Renerve Plus. And by the end of this financial year, we expect to have four brands of Rs.100 plus crores revenue in our portfolio inclusive of Zomelis.

Secondly, the Oaknet business, where we closed the deal in mid May 2002, has been showing strong traction since then. The business has clocked a Q1 revenue of Rs.55 crores, out of which Rs.31.5 crores have accrued to Eris post deal closing. The business

has clocked an EBITDA of Rs.10 crores in Q1, of which Rs.6.4 crores have accrued to Eris in Q1 post deal closing. This quarterly run rate of Rs.55 crores revenue with Rs.10 crores of EBITDA looks sustainable throughout this year.

The IPM growth in Q1 of FY23 was 2% and our covered market grew by 2.7%. In comparison, Eris registered a growth of 8.1% in this quarter, which is four times the growth of the IPM and three times the growth of the covered market.

We have given the details of our therapy wise growth in our investor presentation. I would like to highlight a couple of aspects in this regard. Firstly, we see a revival of the growth momentum in the cardio-metabolic market, with an average growth of 13% seen during June and July of this year. This comes in sharp contrast to the average growth of 4%, which we have seen over a protracted period of the last 12-months, starting from June 2021 to May 2022. We believe that we can expect a stronger momentum in our core cardio-metabolic business in subsequent quarters given the sharp revival being seen in the last two months.

Secondly, I am happy to share that Eris has made significant strides in diversifying its therapy base over the last few years. We now have three emerging therapies – CNS, Women's Health, and Dermatology, collectively accounting for 20% of our branded formulations revenue and growing at more than 25% per annum. While the cardio-metabolic therapy continues to remain our mainstay, its concentration is now down to 53% of our portfolio.

We have been discussing for some time now that FY23 will be the most exciting year yet in terms of new product launches. We have kick started this process of new product launches in July with the launch of two key products - Glura, which is our brand of Sitagliptin and FCM, a strategic offering that bolsters our Women's Healthcare and Cardiovascular franchises.

We have also launched Zomelis D and Zomelis BD, which are combinations of Vildagliptin and Dapagliflozin. In Q3, we have several launches lined up in diabetes involving

combinations of Vildagliptin, Dapagliflozin, Sitagliptin, Glimepiride, Pioglitazone and Metformin, which will aggregate to 20+ SKUs.

Now coming to the financials. Our standalone entity clocked an operating revenue of Rs.329 crores for the quarter, which represents a growth of 7.3% year-on-year. Our standalone gross margin in Q1 stood at 82% in comparison to 83.6% in the last financial year, primarily due to product mix variations in Q1.

In Q2 and Q3, we expect up to 200 basis points impact on gross margin on account of the upcoming new product launches I discussed before. Excluding the impact of new products, the overall impact of industry wide raw material cost escalation remains minimal for us. We have expanded our field force by around 150 in this quarter, and the standalone YPM for Q1 stands at Rs.5 lakhs.

The standalone EBITDA margin for Q1 stood at 38.4% versus 40% last year, largely driven by the dip in gross margin. EBITDA margin of Eris' standalone business, which represents 82% of total revenue, continues to be among the highest in the industry. We have consistently maintained an average EBITDA margin of nearly 39% over the last six financial years.

The finance cost of Rs.7.2 crores in Q1 is largely driven by the cost of financing related to the Oaknet acquisition. Other income for Q1 is lower compared to Q1 of last year, on account of the utilization of some treasury investments for the Oaknet deal and due to the impact of rising interest rates on the residual treasury investments.

Standalone effective tax rate for Q1 was 11% as the Guwahati facility contributed to 78% of total revenue in the quarter. Standalone net profit margin for Q1 is 29.1%, which is lower by 522 bps compared to last year, largely due to the Oaknet deal related factors discussed earlier.

Our consolidated operating revenue for the quarter was Rs.399 crores, which represents a growth of 14.1% over Q1 of last year. Consolidated EBITDA for the quarter was Rs.129 crores, and this represents a growth of 2% over Q1 of last year. Consolidated PAT for the

quarter degrew to Rs.93 crores, largely driven by the impact of the Oaknet deal as discussed before.

In our investor presentation, we have given the breakdown of revenue and EBITDA by segment of business and this will be a quarterly feature from now on.

Eris MJ Biopharm Limited, our subsidiary which houses the insulin business, clocked a revenue of Rs.2.1 crores in Q1. We have made significant investments in people with 140 MRs and 60 managers joining the field force in Q4 of last year. We also continue to invest in promotional activities.

In this FY23, we expect our insulin business to deliver a top line of Rs.20 plus crores with an EBITDA loss of Rs.15 crores.

In addition to the expansion of Human Insulin, we plan to launch Glargine in Q3 of this year, which is one year ahead of our earlier guidance. To this effect, we have entered into an in-licensing arrangement with Biocon.

Our Gujarat facility remains on track to commence commercial operations in Q4 of this financial year. The total capex incurred on the facility in the first quarter was Rs.34 crores and the total capex incurred on the facility till date is Rs.100 crores. The total capex outlay for the facility is to the tune of Rs.170 crores to Rs.180 crores.

By way of guidance for FY23, we are targeting a consolidated revenue growth of 30% and a consolidated EBITDA growth of 16% to 17% including Oaknet. This is after absorbing the one-time loss of Rs.15 crores at EBITDA level, [attributable] to MJ Biopharm deal. In aggregate, this represents an EBITDA margin of 32% to 33% for this year, compared to a 36% EBITDA margin last year. This dip in EBITDA margin is on account of a number of investments which are concurrently getting bunched up in this financial year - firstly, the Oaknet acquisition and its impact on the P&L; Secondly, the kickstarting of the insulin business and its impact on the P&L. Thirdly, the plethora of new product launches that will happen in Eris in Q2 and Q3 and their impact on promotional activities and last but not the least, the commissioning of a new manufacturing facility in

the later part of this year. We expect our EBITDA margins to normalize over the next two years and we will be back at 36% EBITDA margin levels by FY25.

In addition, I am happy to share that Sujesh Vasudevan, a pharma industry veteran has recently joined our board. He brings over 30-years of experience from the pharma industry across leading Indian and global companies in the areas of Sales and Marketing and Business Development.

These were the highlights for the quarter. We are now happy to open up for Q&A.

**Moderator:** We will now begin the question-and-answer session. The first question comes from the line of Krisha Kansara from Molecule Ventures. Please go ahead.

**Krisha Kansara:** Sir, my question was regarding the Dydro market. In the past concall, you had mentioned that Dydro market has high potential to grow. How does your company plan to capture this market given that a lot of players have entered this particular market?

**V Krishnakumar:** Are you referring to Dydrogesterone?

**Krisha Kansara:** Yes.

**Amit Bakshi:** Yes, while it is true that a lot of players have entered as we were expecting, simultaneously, there has been certain cases of price drop also. But at the same time, the market is also expanding very, very fast, though still I think the market growth is around 30%. We still stand by our guidance. We guided for about Rs.30 crores. We are more or less there.

**Krisha Kansara:** Can you guide us about the market size of this particular Dydro market?

**V Krishnakumar:** The market is currently growing so fast. It's presently around a Rs.600 crores market with a growth rate of 30% plus. Clearly this is going to be a big market. We have placed a big bet on this market, because we expect Drolute to be Rs.100 crores product for us over a four-year timeframe. That is the kind of bet that we have taken. This is going to be a very big market. It is a little difficult to predict where it will settle down.

**Krisha Kansara:** Where does it stand in terms of margins? Sales, I think you mentioned but what about the margin profile?

**V Krishnakumar:** The API suppliers for this molecule are still relatively few and far between. In terms of overall margin profile, Drolute sits lower than what we are used to getting in our standalone business. We expect that the situation will correct over the next two to three years when there will be more suppliers in the market and the margins will catch up. But as of now, it is lower than our overall standalone margins.

**Moderator:** The next question comes from the line of Vivek from Citi. Please go ahead.

**Vivek:** There are a couple of questions. One is on CNS segment. If you can highlight, why the segment is relatively weak for the market and the product Renerve is not growing or is relatively soft compared to the past trends?

**Amit Bakshi:** When we talk about CNS, we don't include Renerve into that. Renerve, we classify into VMN. While this might not be the case with the AIOCD, but just to keep the therapy little clear, we don't do that. Renerve as a vitamin B-12 is a leading brand, had some kind of a bump in the last year first quarter, as in nutraceuticals almost everything was performing well. Regarding the CNS business, one is the AIOCD representation, but internally it is more or less Rs.100 crores for us, and still growing at a good healthy 25%. It has not been because of new launches, it is because the old products have been going better. CNS has hardly seen new launches in the last three years. What I can remember is only two. This is a very simple trajectory of a young company in terms of revenue, getting into the specialty and making its way. In a way at a smaller volume (base), these growths have been historically easy to come. That's how it stands with us.

**Vivek:** Second question is from the Glimepiride-Metformin combination. Not just Eris, but across the market, this combination is relatively soft over the last one year. Any specific reason for that -- is the market that is now getting saturated?

**Amit Bakshi:** I talked about this in the last meeting that we would continuously see the Glimepiride-Metformin market getting weaker by the day. Typically, it just doesn't slide down very

badly being a chronic therapy, but over a period of time the new patients start dropping off. We are not very positive about the Glimepiride-Metformin market. But what is important for you to know is that there is another market, which has now become very big, it is called Glimepiride, Metformin with Voglibose and we have a market leading brand there, I think number two brand, called Glimisave MV. Glimisave MV for the first time has crossed Rs.100 crores at a MAT level, and it's still growing 15% internally and some 12%-13% on the AIOCD. Fortunately, because we have a second brand, which is now becoming a little stronger than the first brand, this market would sustain for a longer period of time if you mix both of them. But Glimepiride-Metformin is going to be softer, everything which has Glimepiride will remain softer. The era of Sulfonylurea is not as much as it used to.

**V Krishnakumar:** To round it off, Vivek, Sulfonylureas' we see as a 6% to 8% growth category for us, of which we expect around 3%-4% will come from volume growth and 3%-4% will come from price increase. That is the kind of outlook that we have for pure Sulfonylurea.

**Amit Bakshi:** Absolutely.

**Vivek:** KK sir, if we look at your margin guidance for FY25, the company is expected to reach back to around 36% kind of EBITDA margin that you have highlighted. What kind of revenue growth you need have in order to achieve around 36% EBITDA margin in FY25?

**V Krishnakumar:** On the revenue front, we have absolute clarity on this year, where we have guided to 30% growth and there is a strong line of sight for that. For the next couple of years, a lot of it depends on how soon does the IPM growth get back on trajectory. But we have always maintained that if the IPM were to get back to a 10% per annum kind of a growth trajectory, then for us to deliver a 14%-15% growth on the back of that would be a baseline that we would look at. That is all I can say at this point. A lot depends on when the IPM gets back on track. I have made a comment about the margins, because it's important to understand that the dip in margins that we see this year is a one-off thing as it is driven because of all investments getting bunched together this year. It's not because of any fundamental change in the characteristic of our business.

**Moderator:** Next question is from the line of Gaurang Sakare from Motilal Oswal. Please go ahead.

**Gaurang Sakare:** Maybe I missed your comment. But there is a dip in EBITDA margin on standalone basis YoY. What would be your comment on that?

**V Krishnakumar:** Yes, there is a dip of 160 basis points in the standalone EBITDA margin which is completely driven by the dip in standalone gross margin of the same amount. This has happened because of a change in the product mix in this quarter and it is not on account of any other reason. We have also guided to a 200 basis points potential dip in gross margin in the next two quarters, because we have a lot of new products that are getting bunched up for launch in the next few quarters. As you know, whenever the new product launches happen, they usually come with a lower gross margin to begin with, and then over a six-to-twelve-month timeframe, the gross margins of these new products will fall in line with our corporate gross margins as we take the manufacturing in-house. That is the trajectory that will play out over the next two to four quarters.

**Gaurang Sakare:** To what extent can the profitability of Aprica be improved?

**Amit Bakshi:** I think 20% is something which we are very comfortable with. Being a low base business, it has seen some kind of a headwind in the first quarter. Aprica is also going to benefit largely because of new products, even though it is a small business, but it's a very pure play Diabeto-Cardio business actually. The new products will immensely benefit Aprica in the remaining three quarters, but we still maintain that the profitability will be at around 20%.

**Gaurang Sakare:** Another question is adjusting for the Oaknet revenue, the guidance seems to be around 10% to 12% if my understanding is correct. But as you mentioned, there is a good pipeline of launches, especially in diabetes portfolio. Do we have a particular reason for conservative guidance?

**V Krishnakumar:** I think 12%, 13%, 14% it falls somewhere in that zone. The guidance for organic growth as I discussed a couple of minutes ago, it is going to depend on how soon the IPM revives, because the Q1 growth in the IPM is 2%. To give a growth guidance of anything more

than 12%, 13%, 14% we really need to see the IPM getting charged up in a big way. When will the IPM growth get back to 8% to 10%?,- that's a million-dollar question, right, nobody is able to foresee that. That is the reason why the organic growth guidance is to the tune of 13% to 15% and the rest of it is made up by Oaknet, so collectively 30%.

**Gaurang Sakare:** On this Insulin Glargine, is there any royalty payment that will be made to Biocon for sale of it?

**Amit Bakshi:** Yes, there is a payment at the start, one-time. It's not royalty.

**V Krishnakumar:** It's a one-time payment. You can call it as a one-time license fee. And then we have a sourcing arrangement on an ongoing basis, which doesn't involve any royalty payments.

**Gaurang Sakare:** Connected to that, Biocon already sells insulin glargine in Indian market. So, they will continue to sell. We'll be competing with them. Is it fair to have that understanding?

**Amit Bakshi:** That's a fact. How Biocon might be looking at it would be probably that they would like to increase their pie of the overall formulations market which is supplied in India. This is a good way for them to have more people taking from them and increasing their share in the whole pie.

**Moderator:** Next question is from the line of Vishal from Systematix. Please go ahead.

**Vishal:** Can you share what's driving the growth of Dydrogesterone market?

**Amit Bakshi:** It is considered to be a better product from the Progesterone. Technically if you ask me, Progesterone is being used to support pregnancy, especially when there is a little bit risk in the pregnancy. Progesterone market in India has been Rs.1,000 crores plus market and Dydrogesterone is considered to be a better Progesterone in terms of supporting the pregnancy, it has better outcome. Typically it is compared to a Vaginal Progesterone, which is the gold standard. Because of being a better product, we see a lot of shift happening from the Progesterone to Dydrogesterone which is also a part of the same family. That's the science and the evidence behind that.

**Vishal:** What's is our guidance for the gold standard?

**Amit Bakshi:** These are all based on clinical trials. These are all called evidence-based medicine. When large clinical trials were conducted, it came out that Dydrogesterone has a better pregnancy outcome. They measure in between two groups, which group has more pregnancy losses. This are curated trials, which people do, and the whole science is based on evidence. So, Dydrogesterone scores over Progesterone. That is why the market is shifting to Dydrogesterone.

**Vishal:** Is the price difference low between Vaginal Progesterone and Dydrogesterone?

**Amit Bakshi:** No, Dydrogesterone actually is more expensive than Vaginal Progesterone.

**Vishal:** Will affordability be a constraint in terms of driving the shift to Dydrogesterone?

**Amit Bakshi:** Typically, what happens is when it comes to pregnancy, we generally see that such indications have never been price-driven, because the therapy lasts only for three to four months. Generally, the price component here has never been the driver. It's the pregnancy outcomes, which becomes very important, because Dydro has a better outcome data, that is why it will continue to grow.

**Vishal:** Will you have any benchmark in terms of how is the penetration of Dydrogesterone in western markets like US?

**Amit Bakshi:** I will not be having that off-hand. But I know Dydrogesterone is number one there. But what is the difference and how big is the market? I won't have an idea.

**V Krishnakumar:** Just an additional point on one question that was asked before. The exact data is that on a MAT basis that Dydro market is now Rs.700 crores in India and it is growing at 60%. It's a very, very fast-growing market and it is going to be a very big molecule to play in.

**Vishal:** The number of participants have entered and have been able to expand the market, is that the reason?

**V Krishnakumar:** That is usually how market expansion happens, as more API sources become available, as more companies enter the market with their own brands, cost of therapy goes down. That is typically how market expansion happens, I guess not only in Dydro but in any of the diabetes patent expiries that we're seeing now, it's a similar trajectory everywhere.

**Vishal:** Are you also driving sales in other indications that Dapagliflozin is approved for?

**Amit Bakshi:** The basic approval for Dapagliflozin itself has a huge, huge market. There are basic three indications; which are heart failure, diabetes control, and protection of kidney. These put together are very, very large indications. The adoption is still 20% of Dapagliflozin in all these three specialties. We feel that this adoption will go to 60% over the next five years. That's why we see so much growth coming in the market.

**Vishal:** With respect to Voglibose, you said the market is doing well. Just one question on Voglibose, it is also combined with Dapagliflozin.

**Amit Bakshi:** I will not be able to say that because that's in the domain of DCGI. Technically speaking, science does support that. Whether it happens or not, completely depends upon the DCGI and its approval process.

**Vishal:** Currently, there are no combinations available with Voglibose or Dapagliflozin?

**Amit Bakshi:** No, they are not.

**Moderator:** Next question comes from the line of Tarun Shetty, an individual investor. Please go ahead.

**Tarun Shetty:** Hi, this is Tarun from Haitong Securities. I just had a question regarding your EHPL business. Currently we see sharp decline in the revenue base and the margins are also negative. Could we have some guidance on this for the year or maybe forward?

**V Krishnakumar:** Sorry, your voice is a little unclear. Is your question about margin guidance for the year?

**Tarun Shetty:** No, no, my question pertains to the EHPL trade generics business**.**

**Amit Bakshi:** There has been a decline in the trade generic which is akin to the market. The market last year had a very wonderful run when there were supply issues in the branded formulations to a certain extent. The market has cooled off so have we cooled off. Strategically if you look, we lost around Rs.8 crores last year in this business, all put together, that was the EBITDA loss which we made last year in this business. What I can assure you today is that we would be EBITDA-neutral by the end of the year, that's what we are chasing. Volume is something which I will not be able to guide. We don't have clarity on volume as of now.

**Tarun Shetty:** Any other strategy to grow this business or you are planning to keep it at current levels around 6% of revenue contribution?

**Amit Bakshi:** The plan is to make it profitable now. Once the profitability comes in, the growth will follow.

**Moderator:** Next question is from the line of Punit Pujara from IIFL Securities. Please go ahead.

**Punit Pujara:** Sir, I have one question that earlier we had guided that insulin glargine is in Phase III clinical trials and you are expecting to launch in calendar year 23. Given that we have in-licensed it from Biocon, could you please provide some update on clinical trials and trials on our own insulin glargine. And also any update on other products which are in our pipeline such as Lispro, Aspart and Liraglutide which we plan to launch every 12-15 months, that would be helpful?

**Amit Bakshi:** Sure, that's important. The randomization of the patients for Phase-III clinic has already been achieved. So once the randomization is achieved, it runs for six months before the study closes, goes to the DCGI and then comes back. It is in line with what we have said earlier. As KK mentioned that what we are trying to do is just buy that one year or whatever that ends up to be, to launch glargine early. The long-term strategy remains intact. We just wanted to get into the market quickly. That was the reason we got what we have got. The long-term strategy doesn't change and the clinical trials are in-line. The same is true for Liraglutide. We have done the randomization of Liraglutide as well. Again, it will follow the same trajectory. Earlier it was looking that Liraglutide would be delayed

to Glargine by six months. Now, things are not as tight. It seems that both of them would be hitting the market more or less at the same time.

**Punit Pujara:** Will it be correct to assume that both are currently in phase-III and both will be launched very near to each other?

**Amit Bakshi:** I think so. The clarity, which we have right now indicates that.

**Punit Pujara:** Will it be right to assume that Biocon in-licensing will help us increase our learning [about] the product in the market and that will help us ramp-up our own product once the clinical trials are over?

**Amit Bakshi:** Yes, absolutely. It's going to get us up the learning curve early. We are going to get used to the market. The other products, which are the pens and the administration piece. It's going to be a learning curve. In insulin business, availability is a very key thing. You have to spend longer times to really put the business together. That will help us reduce that time and what you said. I am with you on that.

**Punit Pujara:** Will we be running an in-license product parallelly or this agreement with Biocon is just for one year?

**Amit Bakshi:** I can't tell you too much about that. What I can tell you is that our long-term strategy still remains, and we do have an exit clause in the current arrangement.

**Moderator:** Next question comes from the line of Vishal from Systematix. Please go ahead.

**Vishal:** Could you give a sense on what is the current contribution from older generation molecules in the overall business?

**V Krishnakumar:** Sorry, the contribution of?

**Vishal:** Old generation molecules, Glimepiride and Telmisartan and if you think there are other product also, wherein the growth rates have matured or maybe are in the mid-single digits, those kind of molecules. What is the current contribution?

**V Krishnakumar:** The data is available in the public domain, it's for everybody to see. The more important point is, where we are in time, whether it is cardiac or diabetes. A lot of brand generic companies like us have been playing in the old generation molecules for a period of time because the new generation molecules were simply not accessible to us. And now, one-by-one, those molecules are coming off patent. There is something big that happened last month, and then we are having a bunch of combinations getting launched in the next two quarters, then January something big will open up and then we have patent expirations lined up all the way to '25. The whole market is going to shift to these new products. The way we see is we have two tiers of products in our system. Tier-I for us is all the gliptins and gliflozins that will come off patent, the cardiac products that will come off patent, we have insulin, we have Glargine, we have Liraglutide. This is a bucket that will be a hyper growth bucket, not only for us, but for the entire market. Dapagliflozin even after one and a half year post going off patent is still growing at 40%-50%. This tier-I bucket is going to drive the growth of the entire therapy and for us as well and the older generation molecules that you mentioned, whether it is the Sulfonylureas or the Telmisartans or the Olmesartans and other molecules, this will continue to be the bedrock of everybody's business. These molecules are not going anywhere, and they are not de-growing also. In terms of growth outlook, as I said, Sulfonylureas will be like a 6% to 8% growth segment, the Telmisartans of the world will be like a 10% to 12% growth segment. Overall, we can expect a sustained growth of around 10% from this base portfolio, which is a combination of volume growth and price growth. And this base portfolio will throw out a lot of cash, which will continue to get invested in the growth portfolio. That is how I would look at growth, overall. If you ask me how much the shift can happen, I have a data point from the US market for you on Oral Anti-diabetes, where DPP4 and SGLT2, these two categories drive 85% of the US oral anti-diabetic market by value. That is the extent to which the shift can happen. But it will happen very slowly over a period of time. It is not going to be a knee jerk kind of a reaction.

**Vishal:** There is large headroom even from here on?

**V Krishnakumar:** Yes, there is massive headroom. In DPP4 and SGLT2, it is getting started.

**Vishal:** Are you also planning any launches on the Vitamins and Minerals front during the year or maybe in the near future?

**V Krishnakumar:** We have nothing substantial lined up. The launches this year will be focused on Diabetes, Women's Health and Cardiovascular.

**Vishal:** You had earlier in-licensed an iron product which probably was supposed to be more bio-available for existing iron products. Is that being promoted in the market?

**Amit Bakshi:** Yes, it is in the market, but we have lost the plot. We are now doing Rs.4 crores a year. Not excited about that anymore.

**Vishal:** That's not scaling up as you would have wanted?

**Amit Bakshi:** Yes.

**Vishal:** Could you share what was the EBITDA to OCF conversion for the quarter?

**V Krishnakumar:** This quarter, it has been to the tune of 25% which is substantially lower than what we are used to see which is again because of a bunch of investments. New product launches come with a higher receivables cycle. That is one reason. We had a significant amount of investment in inventories which is again building up for new product launches. 25% in Q1 and my expectation is we will be on a similar level in Q2 also.

**Moderator:** As there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. V Krishnakumar for closing comments.

**V Krishnakumar:** Thank you for your participation in the call. Eris delivered Q1 consolidated revenue of Rs.399 crores with an EBITDA of Rs.129 crores and a PAT of Rs.93 crores. Our net profit margin reflects the impact of the Oaknet deal on depreciation, finance costs and other income. The Oaknet business acquired in May'22 is off to a strong start with Rs.55 crores of revenue and Rs.10 crores of EBITDA in this quarter. This looks like a sustainable trend throughout this year. Our Zomelis mother brand has hit a monthly run rate of Rs.100

crores [per annum] revenue in just two and a half years of acquisition, representing a growth of more than eight times in monthly sales since acquisition. By the end of this financial year, we expect to have four brands having a revenue of more than Rs.100 crores per annum. Our three emerging therapies, CNS, Derma and Women' Health, accounting for 20% of our portfolio, are growing at 25% plus per annum for several consecutive quarters. For FY23, we are targeting a consolidated revenue growth of 30% and a consolidated EBITDA growth of 16% to 17%, including Oaknet. This will be driven by a combination of growth in our power brands and new product launches, where we have significant action lined up in Q2 and Q3. Thank you all. Have a good day.

**Moderator:** On behalf of Eris Lifesciences, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

This document has been revised to improve readability.