"Eris Lifesciences Q4 and Full Year FY20 Results Conference Call"

June 02, 2020

MANAGEMENT: MR. AMIT BAKSHI - CHAIRMAN AND MANAGING DIRECTOR, ERIS LIFESCIENCES LIMITED
MR. SACHIN SHAH – CFO, ERIS LIFESCIENCES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Eris Lifesciences Q4 and Full Year FY '20 Results Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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. Amit Bakshi, Chairman and Managing Director of the company. Thank you, and over to you, sir.

Amit Bakshi: Thank you. Hello, everybody. I hope all of you are keeping well, you're keeping safe. Since most of you are from Bombay, I hope everything is okay from the health part. This is the first call, which we are making in the current COVID era as we call it. Let me just start at the company level, how have we handled the situation.

So after the lockdown started, the first thing we wanted to do is, to make sure that the confidence level and the motivation level among the people in the company are well maintained. So we jumped early to buy a health insurance policy, the COVID policy for across the company, covering everybody in the field, which was in addition to what other policy which we had, just to boost in a lot of confidence. We actually supported the entire fraternity during the lockdown by making sure that wherever we can reach out, we went ahead and provided our healthcare workers and doctors with the PPE kits, N95 masks and everything else, which they needed to fight this battle. So that's about the COVID problem.

In the office we had a larger lockdown. Some of us were still coming to the office. Right now, about 30% people are in the office. We initially faced a lot of difficulties in the distribution side. Thankfully, our Guwahati was well-managed because most of the people in Guwahati were staying with us there, the key people. So we had no disruption in the manufacturing side on Guwahati. We had disruption in the secondary and movement of the goods, which in the month of May, actually got quite good. And at the time when we are speaking, we are more or less okay, and have achieved the same kind of supply chain as we left before the COVID.

Coming back to the quarter 4 highlights. Our sales grew by 14.3% year-on-year versus an IPM of 9.7%. Chronic therapy continued to outperform market and Sub-chronic therapies regained momentum. Eris Chronic therapies grew 19.6% year-on-year as the IPM growth of 12.1% and Sub-chronic grew 13.4% versus IPM growth of 7.3%. In the last quarter, we also added around 97 BEs as we have been telling you earlier that this is what we have in expansion. So all put together, we have added roughly 400 BEs 97 of them were added in the fourth quarter itself.

Now again, the strength of Chronic and big brands has shown up. So by the end of quarter 4 and also in existing quarter, we can clearly distinguish between 2 very important things, which in our view will guide the future growth. One is the Chronic therapy breakup. And second is, within the therapy what kind of brands do you have. So a Chronic therapy with large brands seems to sustain the best during these times. And that's how the trajectory works. So if you see in the quarter 4, at the secondary level, which is the AIOCD data, 65% of Eris revenue comes from Chronic, which grew by around 20% in the fourth quarter.

The Sub-chronic piece, which in our case is generally the vitamins and minerals and nutraceuticals, in the month of March grew by around 7.3% (IPM), but we grew by 13.4%. Here, the reason being that all our brands have been in leading positions, most of our brands have been in the top 5 positions. What we have also learned from various parts of the world where the pandemic has started little earlier than us is that this therapy over a period of time has grown by 30-32%, even after having more than 50% penetration in the developed parts. So this is the therapy, which will outgrow the other therapies in coming times, and we have good brands there.

The Acute part, which was around 13% of the revenue, degrew by 5%, while the market grew by 8.8%. So the Acute fall continues and now it is 13% of Eris revenue. We also importantly have made a structural change in the company. So now we have 4 clusters, 2 clusters in the Chronic, one cluster in CNS and one cluster in Acute. So we've got a lot of focus on Acute and the Acute therapy in our company is inter-twined with the nutraceuticals. So most of the nutraceutical brand which you see are lying in the Acute division. So it is the Acute part of the division which hasn't done well, but the nutraceutical parts in the same division has done well.

And we have got special focus in terms of Acute businesses and we are doing a lot of work to basically expand our presence in the nutraceutical markets because we feel for sure that it is the market which will outgrow the industry for the coming year.

So income statement for quarter 4, 15.6% year-on-year revenue growth, 24% year-on-year EBITDA growth and 4% year-on-year growth in net profit. So 4% year-on-year growth in net profit which you see is because of the treasury income. So once we adjust it for treasury and finance cost, it is close to 20% vicinity. We actually in this year has around 500 crores of cash outflow, which has happened because of the buyback, the dividend, and the loan repayments. And Sachin will give you the breakup and then the buyout of Zomelis which we have done.

As far as the other things are concerned, we have one more study, which got published again in the Indian Journal of Human Hypertension, which is called the ABPM India Study. So now with two back-to-back publication, one, the Indian Heart Study, then the Indian ABPM Study, we have raised our stake in the cardiovascular market. So if you look at our growth in cardiovascular market, which has just been 100 basis point above the market and the market grew by around 12%, and we grew by around 13%. Now we are bringing a very sharp focus on hypertension once again. And IHS, India Heart Study followed by India ABPM Study are going to give us a lot of impetus in our hypertension cardiology portfolio.

And with that, I am now open to questions. You can please ask the questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Prakash Agarwal from Axis Capital. Please go ahead.

Prakash Agarwal: Sir, question on, you mentioned chronic will continue to outperform and the bigger brand is more so. So just wanted to understand like, for the brands which are bigger than Eris with other companies, would there be more consolidation there? And how do you expect this chronic basket to grow for us for the year?

Amit Bakshi: So Prakash, what we are seeing at this point of time that the bigger brands are doing better than the smaller brands, which is very understandable because of simple reason that these bigger brands have a bigger distribution network. Their availability is good, and they have the top of the mind recall. In these times, when it is difficult for the industry to meet the doctors as often as they would earlier, these things take a precedent. So everything which falls in that category will get into a higher growth. And I don't see this slowing down in the coming months also. So this year will see more of consolidation from a large brand and chronic therapies point of view.

Prakash Agarwal: So this can continue like mid-teen growth because the growth that we are seeing in this quarter is from a low base of last year. Isn't it?

Amit Bakshi: Yes. Growth will become very relative now. So we will always talk about how the market has done and how we are doing. And I think the best way to look at the growth in the coming time also would be relative to the market. So if you see April-May, for April the data has already come out. You see how the destruction in some of the therapies are happening and how some of the therapies are holding on. So when I say growth, it will always be relative to the market.

Prakash Agarwal: Okay. And you didn't mention about my first part of the question, like bigger brands, which I say is bigger than yours for example, they could do even better, would that be the correct understanding?

Amit Bakshi: Yes. So logically, bigger is better. But what happens, it also has a kind of bifurcation here. The safer statement is that top 3, top 4 will do far better than, the lower 10 brands. So between the top 2, top 3, how does it differentiate? It's difficult to pinpoint. But yes, the top table will do better than the 10 brands.

Prakash Agarwal: Understood. Fair enough. And second, on the cost levers. So you've been having quite a good cost control, but obviously this year, maybe the first half or at least the first quarter will definitely see a dip as far as IPM or AIOCD data also. So what are the cost levers there? I mean, how much is fixed? And how much is variable? And would we be able to maintain our 33-34% kind of EBITDA margins?

Amit Bakshi: So Prakash, you can go through the numbers and can easily figure out which are fixed and which are non-fixed, but generally one more, from a pharmaceutical company point of view, there has been always a lot of traveling expenses which we do. The traveling expenses, the meeting expenses, which had been reasonably in the books will slow down. So that's one lever which will be there for the first quarter and then continue. So from a percentage point of view, I don't think there's any problem in the EBITDA margins which you're talking about. That is absolutely stable.

Prakash Agarwal: Okay. That's helpful. And last one for Sachin sir. In the opening remarks, what is the cash flow for the year and CAPEX and the use of cash? And also if you can comment on the other income, which is negative.

Sachin Shah: Yes. So Prakash, I'll just run you through the entire cash flow, how have we used the cash flow for the current year. So we had operating cash flow for the year around INR 271 crores approximately, we spent around INR 147 crores on the shareholder paybacks, which include buyback and dividend. We prepaid the loan of INR 178 crores this year. We did acquisitions of around INR 117 crores, and there was a CAPEX of INR 55 crores. So total outflow if you see is in the range of INR 497 crores. And the net cash that we use from the opening treasury was around INR 225 crores. The conversion from EBITDA to OCF, this year is 74%, which was 65% last year. We have drastically improved the conversion from EBITDA to operating cash flow.

Prakash Agarwal: And what is the cash balance now?

Sachin Shah: Cash balance as of 31st March was INR 145 crores.

Prakash Agarwal: And last one for Amit sir is, on the capital allocation, since we have gained net cash of INR 145 crore. How do we see this going forward? How do we plan to utilize, since next year also will add on to the cash?

Amit Bakshi: So Prakash, no plans as of now. The times are quite turbulent at this point. We would like to wait and watch how things settle down, then only we are going to be out in the market to buy something. So right now, no plans. We would like to see the market settle first and it's all organic as far as we can see for this year.

Moderator: Thank you. The next question is from the line of Aditya Khemka from DSP Mutual Fund. Please go ahead.

Aditya Khemka: Amit sir, so could you talk a bit about the Zomelis acquisition? So I understand we acquired the branded innovative product, but to my understanding, a number of generic competitors also launched and that too at very low prices. So one, can you talk about what was your pricing strategy? Where was the price of Zomelis versus some of your other competitors? And two, then what you wrote in your presentation a 6% market share. So what enabled you to get that 6% market share, despite maybe a premium pricing, as you may have had?

Amit Bakshi: So Aditya, Zomelis is priced at around Rs. 10 MRP. And all the generics put together are between Rs. 6 to Rs. 10. So Zomelis is at around Rs. 10. And Zomelis had to grow from the new prescriptions because that's the biggest lever. So there is a little slowdown on the new prescription that will make it a little longer to grow. Having said that, I cannot share with you the numbers of the last quarter. But the way it is going, it's hitting the target which we had in our mind.

Aditya Khemka: I understand. And on your gross margin Sachin, so the gross margins have now somewhat come back to 85% what it used to be earlier. Is this a function of more in-house because I heard that API prices had somewhat inflated, given the situation in China? So how are we balancing the two? If you could just talk a bit about the gross margins?

Sachin Shah: Yes, Aditya, there is one factor that has fared in this quarter is that we have 77% of production happening in Guwahati in this quarter. So that's one of the reasons. Second part is, all the API pricing impacts will come in quarter 1 of this year. So majorly, what you've seen is the stock that was manufactured and sold, prior to the price impact. But yeah, there is a price impact, it will show in quarter 1.

Aditya Khemka: Understood. And Amit sir, on the employee side. So I understand most of your MRs may not be meeting their targets for the March quarter or probably for the June quarter as well. And I understand that MR targets are broadly quarterly in nature or sometimes monthly in nature. So how do you sort of ensure that your MRs stay with the company, remain motivated, keep doing their work accurately because you may not be paying out incentives as they are not meeting their target. So what have you done there basically to keep the MRs engaged?

Amit Bakshi: So look, we will have to adjust ourselves with the times. What we have done is, what I think it's very common principal to do, we have rearranged the target. So that the target for the first quarter a little lighter than what they were built upon. So that everybody has an earning chance.

Aditya Khemka: Understood. But you're still paying out incentives to people

Amit Bakshi: Nothing changes. There has been no salary cut, there has been no putting people out of the company. In fact, as I have stated, we were one of the few people to get Covid insurance coverage for everybody. So we are taking complete care and there is no chaos. There's no reason for any chaos in the company.

Aditya Khemka: That's very good to know, sir. Sir, on the promotion side, so now that the MRs are no longer visiting physicians at least in person, the cost of visual-aid, the cost of samples, free samples given to doctors, do you see a longer-term impact on these practices given the COVID change? Or do you see this as a temporary impact, the traveling costs you spoke of. So the cutdown in these costs, would that be more of a temporary change and go back to normal in post-COVID era? Or do you think this is a permanent change that's now going to sort of play out over the longer term?

Amit Bakshi: So Aditya, let's get to over with time because anything, if I say anything is more speculative in nature, I would expect that things come back to normal as soon as possible. So that is on the people front. On the doctors front, we have told you very early also that we were one of the fewer companies initially who has a lot of the digital outreach. So we had very aggressive digital outreach in the last 2 months, and we had our infrastructure already ready. So that actually helped us a lot.

Aditya Khemka: Understood. One last question, if I may, sir. So times are tough, prescription generation is low and patients aren't really stepping out of their home to go to doctor clinics, doctors aren't attending clinics. In such times, do you think these smaller regional companies or 'propaganda companies', as we call them. Do you think they are having a tough time to survive? And do you see therefore organized players like yourself gaining more share in the post-COVID era?

Amit Bakshi: So it's the same thing, Aditya which I have started with, bigger brands, bigger people who have a bigger stake in the therapy are bound to improve their market share. So that is something which was already happened, but the COVID incidents will only make it, capitalize a bit further up.

Aditya Khemka: That was my question. Would COVID basically accelerate the trend is what my question.

Amit Bakshi: It will definitely accelerate. Having said that, there is one part where the patients are not able to reach the doctor. On the other hand, compliance in these times has become quite good. Because everybody is worried about comorbid situation. so on one hand, we are seeing a low footfall in the doctor's area. On the second hand, we are also seeing a very good compliance, which is happening. So that's how it is working in the market.

Aditya Khemka: Sir, this I have heard from couple of other people as well, the improved compliance. Can you somehow quantify this to me, earlier compliance was let's say, 80% of the given dosing?

Amit Bakshi: I can't. Very difficult.

Moderator: Thank you. The next question is from the line of Anubhav Aggarwal from Credit Suisse. Please go ahead.

Anubhav Aggarwal: Amit bhai, one clarity on Zomelis. So your presentation mentioned 1,000 crore market, 6% share. I was assuming that this is what kind of 60 crore brand when you acquired. So the 6% share was around the time you did the acquisitions, implying about 60 crores since that time?

Amit Bakshi: Yes.

Anubhav Aggarwal: So now with price coming down almost 1/3 of what you acquired, if I say it's not been very long, but I'm just asking that, when do you think you will at least come back to the sales level, what you were doing at the time of the acquisition when you acquired it?

Amit Bakshi: So Anubhav, just one more month to go, May is already done and on the June and then July, and I will give you clear cut numbers of the first quarter. We are happy with the progress of Zomelis. The prescription data of the last whole week is saying that actually, all the original brands, have gained prescription share and quite reasonably.

Anubhav Aggarwal: But we really have to triple our volumes, right in order to just maintain the same sales that when we acquired the brand, right, effectively, kind of.

Amit Bakshi: Anubhav, the unit growth is already kicking in if you look at the monthly numbers, pre-COVID. If you look at December, Jan, Feb, the unit growth has already been almost hitting three digit number. So there is a huge headroom available in the unit growth.

Anubhav Aggarwal: And sir just this question on Zomelis only. How this was accounted in this quarter? So all sales were innovator sales, but you guys put 186 reps behind this product. So full cost was there and there was no sales. Was it like this or the cost was also not there in this quarter?

Amit Bakshi: No. Cost was there. So there's a legal compliance, which I have to bear in. That's the reason I'm not telling you the sales in the first quarter. But our people have been in the field till the time lockdown happened and our prescription shares have kept on increasing. If you can get off-line and prescription data, you will see it yourself. I will be sharing the numbers by the end of the first quarter.

Anubhav Aggarwal: Sure. The Second question was on the receivable days. So in the September quarter, you mentioned that you have extended help to the channel that led to your normal receivable day cycle of one month increasing to almost 45 days. Now we see the receivable days is almost close to 55, 60 days and now end of the period. Can you just give some more light, the lockdown just happened in the last one week, right?

Amit Bakshi: Yes. Anubhav very simply, I can tell you. There's only one reason. March sales were far bigger than what we expected. And so the cutoff date is 31st. So that is the reason you are seeing this spike. From April onwards, it has got normalized.

Anubhav Aggarwal: And what's the new normal for us? Is it 45 days or 30 days?

Sachin Shah: New normal of the debtor days?

Anubhav Aggarwal: Yes.

Sachin Shah: 30 days.

Anubhav Aggarwal: So now from let's say, hopefully, when we see your next balance sheet, we should be around 30, 35 days?

Amit Bakshi: Yes. No doubt in that.

Anubhav Aggarwal: And just last clarity on this trade generics launch, what are you planning in the new environment? Is it a near-term thing? Or you will wait for things to stabilize, then launch the segment?

Amit Bakshi: So Anubhav, the OTC-able disease management portfolio which I was talking about, there's a lot of work in progress and there we are launching some innovative product in that space. Again, on the side of disease prevention, and they will all be OTC-able in nature and you will hear some good development on that side in the next quarter.

Anubhav Aggarwal: So is this OTC plus generic? Or this is trade generic only, sorry I have a confusion. I'm not very clear with your strategy here?

Amit Bakshi: So Anubhav, you remember last time, I said we will be launching OTC-able products in this category. So these are all products which are OTC-able in nature. And because of the COVID pandemic we have preponed the plans which we had for this year. So there has been a couple of launches already and we are looking for a couple of more launches in June and July. So I'll be able to give you a complete picture in the next quarter. But these are all, we like to call it a disease prevention portfolio. These are all products which help people prevent the diseases. And COVID and viruses would be our large part of this.

Anubhav Aggarwal: And most of this, you will end up advertising on media? How will it be?

Amit Bakshi: It will be a mixture. There will be a mix. There will be some advertising, some promotions, it will be a mix of everything. We will like to use all the channels possible while making sure that we have no cash burn and we always are EBITDA positive.

Moderator: Thank you. The next question is from the line of Tushar Manudhane from Motilal Oswal. Please go ahead.

Tushar Manudhane: Sir, just a clarity on your previous comment in terms of focus to outperform the industry by, let's say, how many percentage points 10%, 20%? Any color you can give in study phase scenario, once the COVID phase stabilizes?

Amit Bakshi: Sure. I can only say that look at the April last quarter, when the industry was down some 11%-12%, we were down some 4.5%. And this is clearly the reflection of the current era and the current portfolio which we are into. And so, other than that let's say the time becomes normal, we will have to wait and see how it turns out.

Tushar Manudhane: Could you also help me with price volume growth particularly for Chronic and Sub-chronic category for the quarter?

Amit Bakshi: Kruti will consider your request.

Moderator: Thank you. The next question is from the line of Abdul Puranwala from Anand Rathi Securities. Please go ahead.

Abdul Puranwala: Sir, just would like to know, what would be the number of new launches that would we have done in FY '20? And vis-à-vis the same amount in last year?

Amit Bakshi: We don't have that data ready. We will have to come back to you all again.

Abdul Puranwala: Sure. And just one more question on Cyblex. So I went through your presentation and that shows that Cyblex has grown 64% this year. So could you please highlight what differently things you have done this year as compared to earlier? And what led to this growth?

Amit Bakshi: Yes. So that is little technical., this is one product which was lying very low. Gliclazide has been lying low from the last 5 years, with an average growth of less than the diabetes markets through and through. We have some good things to say about that, and that's what we've been telling you, how we do story building. So that's the reflection on that. And Cyblex has seen this kind of growth, not for the first time, even last year, the growth was similar.

Abdul Puranwala: Sure. And just last one from my end. Could you help me quantify what would be the growth in top 10 brands for the quarter?

Amit Bakshi: For the coming quarter?

Abdul Puranwala: No. For the Q4, last quarter?

Amit Bakshi: Last quarter, I think it is there in the presentation, right. So what I can tell you is, on the annual basis, right. So on the annual basis, just let me get through that chart. So let me tell you FY '20 overall, so in diabetes in FY '20, I'm talking about 2 years, 18 and 20, 2 years CAGR is 20% when the market is 13%. So in diabetes 2 years, we were 20% to 13%. In Cardiac, we were 14% to 12%, in Sub-chronic, we were 8.4% to 8.6% and in Acute, we were -minus 4.7% vs 9.1%. So even in times when the topline growth was weaker than expected, our diabetes, cardiac and Sub-chronic, which put together is 85% to 87% contribution has always grown ahead of the market. So the same thing you'll see in the brands also, the top 10 mother brands which contribute 66% of the sales, grew by 15.2% in comparison to 11.3% of the market growth.

Moderator: Thank you. The next question is from the line of Rahul Veera from Abakkus Asset Managers. Please go ahead.

Rahul Veera: Sir, any update on our strategy to move into trade generics?

Amit Bakshi: So I just alluded that. We had launched an OTC portfolio, and this is the first quarter which we are working on that. We have already launched a couple of products, and there are couple of more very innovative products, which are to be launched. These products have been preponed because of the COVID crisis and we are quite excited by these launches. You will get more color on how the disease prevention portfolio, which we call it, shapes up in the next quarter.

Rahul Veera: And also I wanted to understand on the earlier participant's question that regarding marketing strategy, we mentioned that the top 5 brands are going to gain more market share. Sir, but eventually in the 1,40,000 crores market It's very difficult to evaluate, right? Whether they're growing or slowing down? We might see top 5 brands which in the AIOCD or IPM becoming larger and larger, but what's happening on the other side of the market? It's very difficult to gauge? Isn't it?

Amit Bakshi: So it's always very difficult to gauge. So the right metrics to gauge has been the top 20 versus the next 20 versus the next 50. So we have seen from years together that growth has been shifting from the lower 100 to top 50 to top 20 in that manner. And that will get accelerated in these times.

Moderator: Thank you. The next question is from the line of Ajay Sharma from Maybank Asset Management. Please go ahead.

Ajay Sharma: I just wanted to follow-up on the API cost basically, in fact, you've seen Q1. So how much has been the average increase on your APIs? And what will be the impact in terms of gross margin for the first quarter?

Sachin Shah: 100 to 150 basis points.

Ajay Sharma: So you will offset that with lower traveling costs and other overheads?

Amit Bakshi: See I'm talking about the gross margins only, I'm not putting it together with the other expenditures. The difference, which we are expecting on the gross margins is between 100 to 150 basis points because of some APIs and other disruptions, that's all.

Ajay Sharma: But at the same time, you said that you will keep EBITDA margin stable, right? So I'm just saying, basically, you would be able to offset this with other lower costs for traveling and other stuff, right?

Amit Bakshi: Yes. In fact, I don't expect any great change happening at the gross margin. So this 100- 150 basis points keep on moving even from a portfolio point of view. So I don't see Quarter 1 getting any impact.

Ajay Sharma: And what is your sourcing mix for API, like how much of it comes from China?

Sachin Shah: I don't have those numbers, but it is very little from China, almost ignorable from China.

Ajay Sharma: And secondly, on new products. So what is the response on Rariset? And then for OTC-able products and Zomelis, basically overall what sort of growth contribution do you expect from new products in the current financial year?

Amit Bakshi: So just wait for couple of more months. We will have the numbers and we'll tell you the numbers both in the preventative disease management portfolio as well as for the Zomelis.

Ajay Sharma: How about Rariset?

Amit Bakshi: So Rariset is doing well. The data is available on AIOCD. We don't publish product wise data unless and until either they are new or they have been bought out.

Moderator: Thank you. The next question is from the line of Prakash Agarwal from Axis Capital. Please go ahead.

Prakash Agarwal: Actually, could not connect on time, and there are a couple of follow-ups on that. So first one is, this API comment got missed out. So this 100-150 basis points is for the quarter or for the year, you're guiding at?

Amit Bakshi: For the quarter.

Prakash Agarwal: So that will not be material, is what I understand?

Amit Bakshi: It is non-material, absolutely non-material.

Prakash Agarwal: And secondly, there is a comment. If I see your balance sheet, receivables are still at elevated levels, so there was a question asked. So if we remove that, then the sales could be lower? Or how should we read about it that this is due to the COVID impact and the collections have not happened, if you could just guide little better on this?

Sachin Shah: Prakash, there are 2 reasons behind the elevated debtors that you see in March. One is that we have given extended credit days to everybody. So that's one of the reasons. The second part is that we had increased sales in March, and whatever we sell in March is always a receivable on year end because the cycle comes after one month. If you compare it to last year, last year March sale was much lower than what we had in this year. So this is how the comparison happens. We have seen the collections of April. We have seen the collections of May. So I can tell you that we are very much back to the old trade ways and everything.

Prakash Agarwal: So we have not lost sales per se, but we have done some extra sales is what you are saying in March?

Amit Bakshi: Yes. March, there was sales growth, Prakash. All the chronic therapies that we saw increased take up from the market because of lockdown, patient actually had taken more than what they would usually take.

Prakash Agarwal: Because I'm again repeating, the Y-o-Y comparison of 16% should not be done, right? Because Q4 of last year was very soft. So in real terms, how would we have grown, if we adjust for Q4?

Amit Bakshi: You forget about inside, you see how the market. So you see at quarter 4 when the AIOCD is reporting 11%, we are reporting 16%. So forget about the quarter data, let us talk about the current quarter. So we are at least 40% above the market in the fourth quarter. And in the same breath let me also tell you, we don't disclose the prescription data, but our prescription data in February, March was at a peak.

Prakash Agarwal: And last one on market share trends, like in the diabetes front and cardio, which are our major categories, so would we have data like versus fiscal 19 to FY'20, how would we have moved in diabetes franchise as well as cardio franchise?

Amit Bakshi: So look, the easier way to look at this, Prakash, if I have outgrown the market, then my market share must have gone up in the therapy as a whole. So last year, before that year, every year, our market share in diabetes and cardiovascular would have gone up because we have outgrown the market, outgrown the therapy. That's the broader way to look at it. If you want to know the 5-year details in terms of brand, you can just check it from the AIOCD data or we could help you getting that.

Prakash Agarwal: And last one on subsegments, so in diabetes and cardio, would you believe there is still enough room for us to get inside and create more brands?

Amit Bakshi: So nothing changes. It's only the footfall in the doctors level has fallen for some time, which will get normalized over a period of time. Other than that, nothing changes. The market will remain robust. And our strategy of launching new products is very well in place, on that which we had alluded in the last call that how we are looking at non-patented and other markets. So all those things are in line.

Moderator: Thank you. The next question is from the line of Ashish Thakkar from Motilal Oswal. Please go ahead.

Ashish Thakkar: From the nutraceuticals side, how would you gauge the propensity of the people to pop-up more, say vitamins and minerals especially during such times of pandemic? And would you say that, we could actually see a new normal way in people might be popping up more immunity booster?

Amit Bakshi: Yes, I think so. And there is enough data from China, Korea and other parts, like Europe and U.S. where we have seen, while the pandemic was fully blown up, the sales had gone 20%-30% higher from nutraceutical point of view. And these countries have a very large penetration from nutraceutical point of view. So yes, we expect that will be the new normal. And vitamin D, B12 and Zinc, these are the preparations which will get a lot of boost up.

Ashish Thakkar: Sir, these are all Rx driven, right?

Amit Bakshi: Yes, it will be Rx driven. Some of it would be over-the-counter also. But basically, it will be Rx driven, also.

Ashish Thakkar: Sir, and second question on the industry level. How do you see the movement of doctors, especially most of the private practitioners had kept their clinics closed, how do you see those guys coming back and opening. What's the status there?

Amit Bakshi: So I feel June would be almost 70%-75% normalized. And maybe July onwards, even the footfalls will start increasing. But when it will come to a level which it was pre-COVID, it's difficult to say at this point of time.

Ashish Thakkar: And lastly, would you like to put a number for the IPM growth for FY '21, just in your assessment?

Amit Bakshi: No. I would not like to do that.

Moderator: Thank you. The next question is from the line of Anshul Saigal from Kotak PMS. Please go ahead.

Anshul Saigal: I have 2 questions. One is, could you speak a little bit about Remylin D and Tayo? And the second is on Zomelis. In the previous call, you had mentioned that the NRV is around INR 3 to 3.5 crores a month. Is the run rate somewhat similar for this quarter as well? Or has it changed?

Amit Bakshi: Zomelis, I've repeatedly been saying that, give me 1 quarter, there is a time block, I can't share with you the numbers. First quarter this financial year, we will share the numbers with you. Regarding Remylin D and Tayo, again it comes to the same thing, these 2 brands are one of the leading brands in their categories and we are seeing some increased uptake. And what the earlier participant asked what the new normal is, then these are the markets which should see relatively better growth than the industry.

Anshul Saigal: I'm sorry, I may have missed this, but could you just suggest, why you are seeing an uptick?

Amit Bakshi: Because what is happening now, everybody understands that you have to live with the virus. WHO recommendation is very simple. They say body surface and space. So when they say body, they mean the immunity. When they say the surface, they talk about fumigation, the same for the space. So these are three very broad guidelines from the WHO. And just because of this, we feel that the immunity market will see uptick, basically immunity is enhanced by the nutraceuticals. That's the basic science. So when you talk about immunity, nutraceuticals have the most prominent place there. So just because of this, these markets should over perform.

Anshul Saigal: Got it. And finally, just one question from me. I joined in a little late. I missed your comment on the cost of API, could you just please repeat that again?

Amit Bakshi: Yes. So there was a question which was put, I just briefly put it up or you could see from the script. I will just briefly repeat. There was a question, how is the API cycle looking forward? So we've said that, yes, there was some turbulence in the month of April, May. But because we are one factory where we do 77% last quarter, 76% rather, and we would like to scale it up to 80%. Most of our APIs were sourced well. So we don't expect more than 100- 150 basis point movement in the gross margin. That's it.

Moderator: Thank you. The next question is from the line of Abdul Puranwala from Anand Rathi Securities. Please go ahead.

Abdul Puranwala: Sir, just would like to understand in terms of the channel inventory, now when we say that we had a good month in March. So typically, because post March, there was subsequent lockdown and I understand we have a good chronic portfolio as well, but have you witnessed a sudden surge in the inventory days of the channel? And is that normalizing now or some comments on that front, please?

Amit Bakshi: So actually, it was not a surge in the inventory. It was a drop in the inventory because of supply chain issue. So actually, it is getting corrected.

Abdul Puranwala: And would you like to quantify any number where your inventory levels were prior to March? And where would they stand currently?

Amit Bakshi: At the industry level, you can refer to the data, which AIOCD, they talk about the month-on-month inventory level across the companies and also as a whole. So on the whole, it went down because of supply chain disruptions. And now it has gradually started coming back to normal.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Amit Bakshi for closing comment.

Amit Bakshi: Thank you. Thank you for taking out time. My earnest request to all of you is practice the 3 things; social distancing, sanitize, wash hands and make sure you build your immunity well. Keep safe and take care of yourself. Thank you so much. See you in the next call. Bye.

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