# Analysts' Meet

4 February 2020

# Agenda

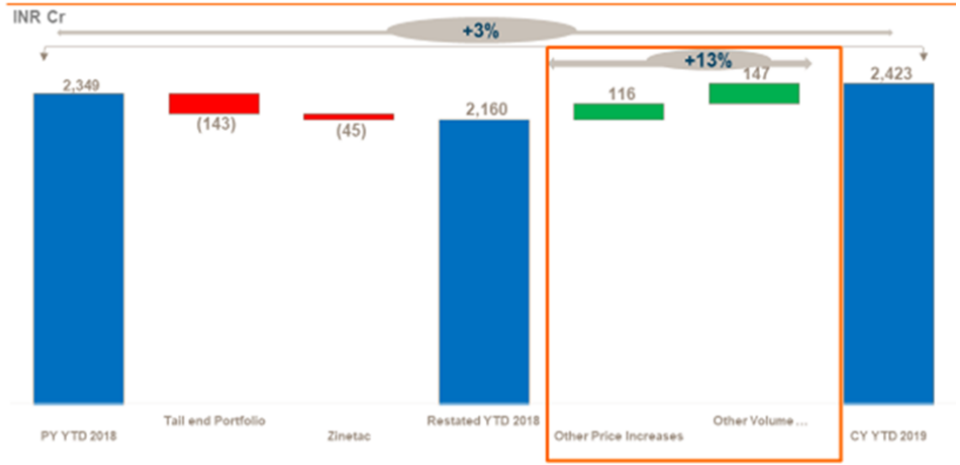

Financial Performance YTD / Q3 2019-20
Vemgal Update
Unexpected Development: Ranitidine
India Growth Story
Innovation Focus

# Performance YTD / Q3 19-20

## YTD EBIDTA margin +1%; YTD EPS +11%; GP margin +3%

### Performance YTD

**Headline Growth 3%; Underlying 13% (7% Volume + 6% Price)**




| Portfolio | Value | Growth |
|---|---|---|
| Key Brands | 1479Cr | +21% |
| *Rx Key Brands* | *963Cr* | *+18%* |
| *Vx Key Brands* | *516Cr* | *+26%* |

### Performance Q3

**Q3 Sales**

| | |
|---|---|
| Sales | 770 Cr / -6% |
| Underlying growth | +6% |

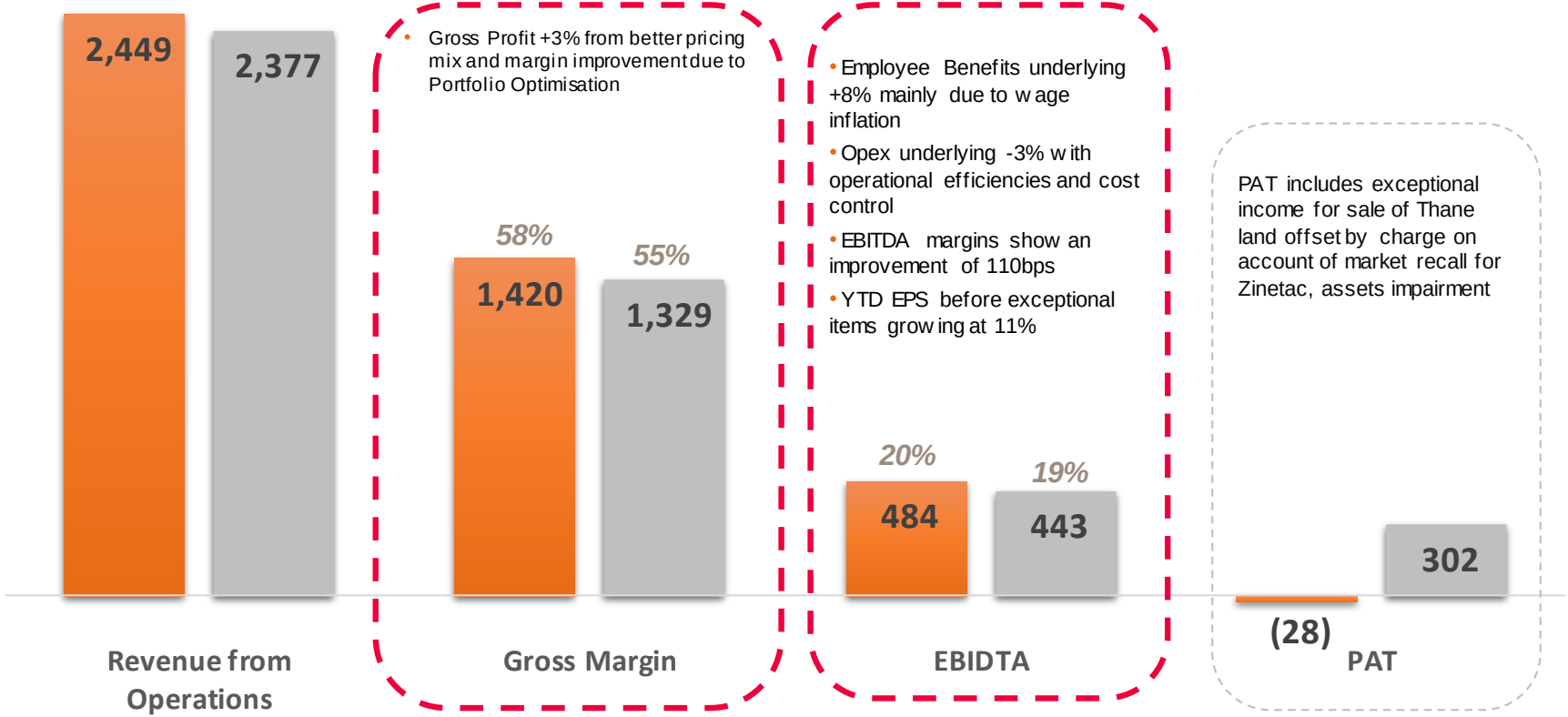
| Portfolio | Value | Growth |
|---|---|---|
| Key Brands | 479Cr | +12% |
| *Rx Key Brands* | *304Cr* | *+8%* |
| *Vx Key Brands* | *176Cr* | *+20%* |

**External Growth**

- 2x the market for Promoted brands with EI at 106
- Underlying external growth is 12% with EI of 102

# YTD 2019-20 – Performance v PY YTD

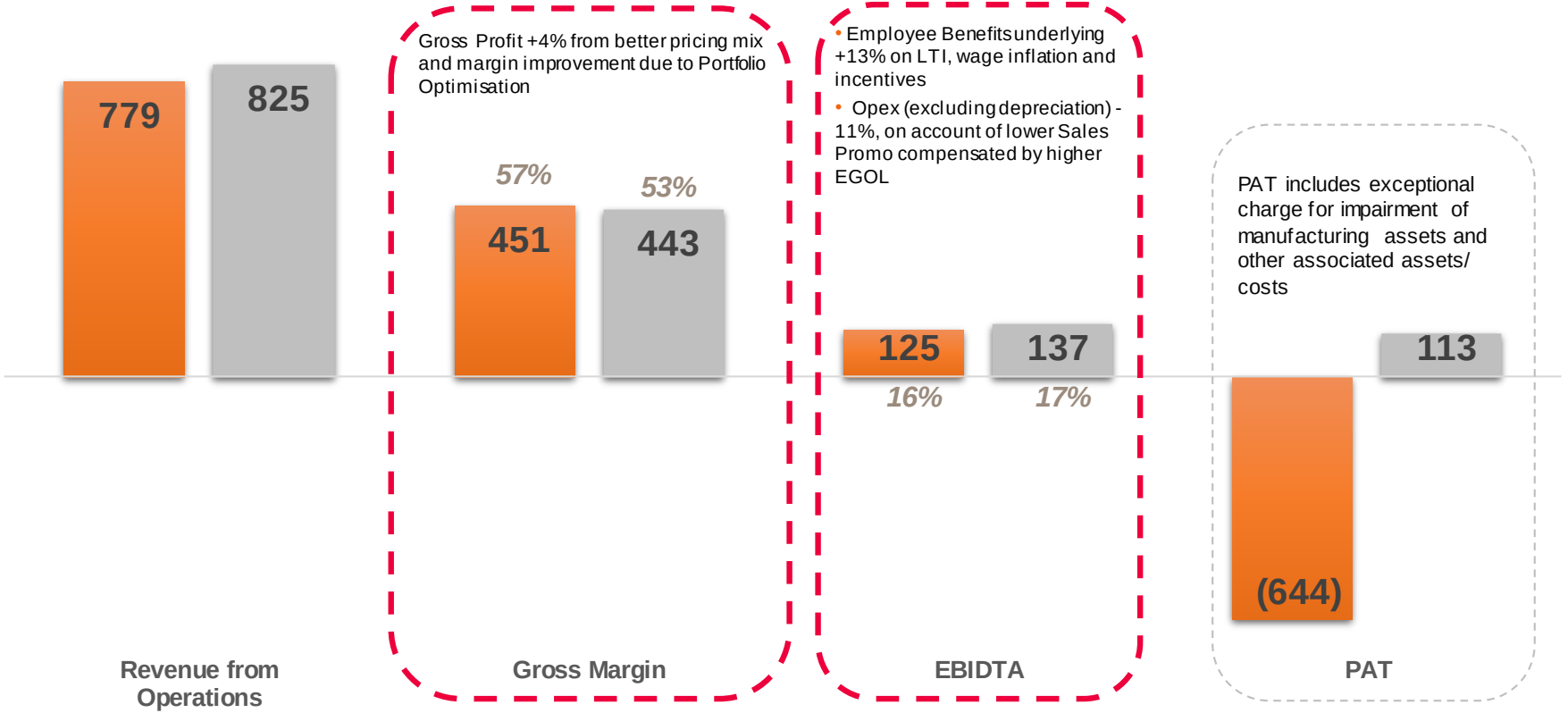
**Headline: Sales +3% , PAT before exceptional +11%**
**Exceptional Charge 336 Cr from impairment and related costs**



# Q3 2019-20 – Performance v PY

## Headline: Sales - 6% , PAT (before exceptional) @ 9%

## Exceptional Charge 737 Cr from impairment and related costs



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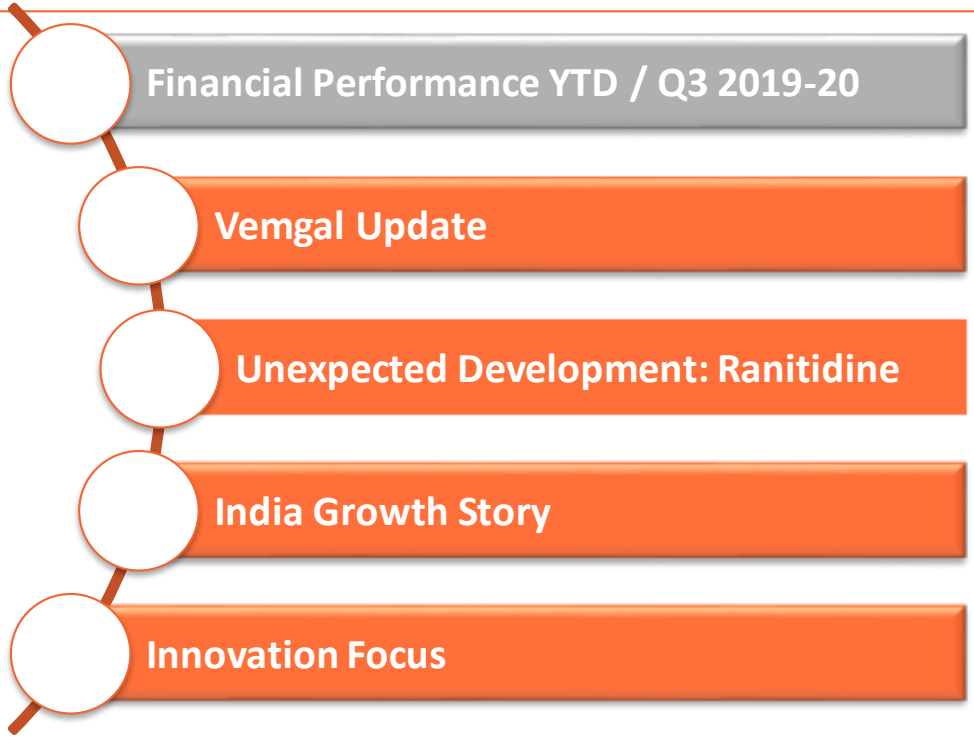
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# Background of Vemgal

**Situation**

- ❑ Nashik – multi dose form facility; severely under invested. Need for remediation to maintain the Global GSK standards
- ❑ Need to increase capacity to cope up with strong business growth ambition ; maintain market share and maintain commitment to patient safety

**Response / Objective**

Planned robust futuristic supply chain for India -

- ❑ Seamless supply & business continuity to support strong business growth ambition; reduce reliance on Nashik
- ❑ Compliance to GSK Global standards and maintain commitment to patient safety

**Proposal for a high volume Greenfield site for OSD (Oral Solid Dose)**

**Investment**

- ❑ Greenfield project with 9bn dose capacity with INR 1000 cr investment – 60% capacity dedicated for Zinetac
- ❑ Focus on high volume low complexity products
- ❑ 2013: Initial project approval
- ❑ 2014: Vemgal project initiation
- ❑ 2019: Manufacturing license received with commercialization planned in 2019-20
- ❑ Sep 2019: Voluntary global recall of ranitidine products, including Zinetac in India.

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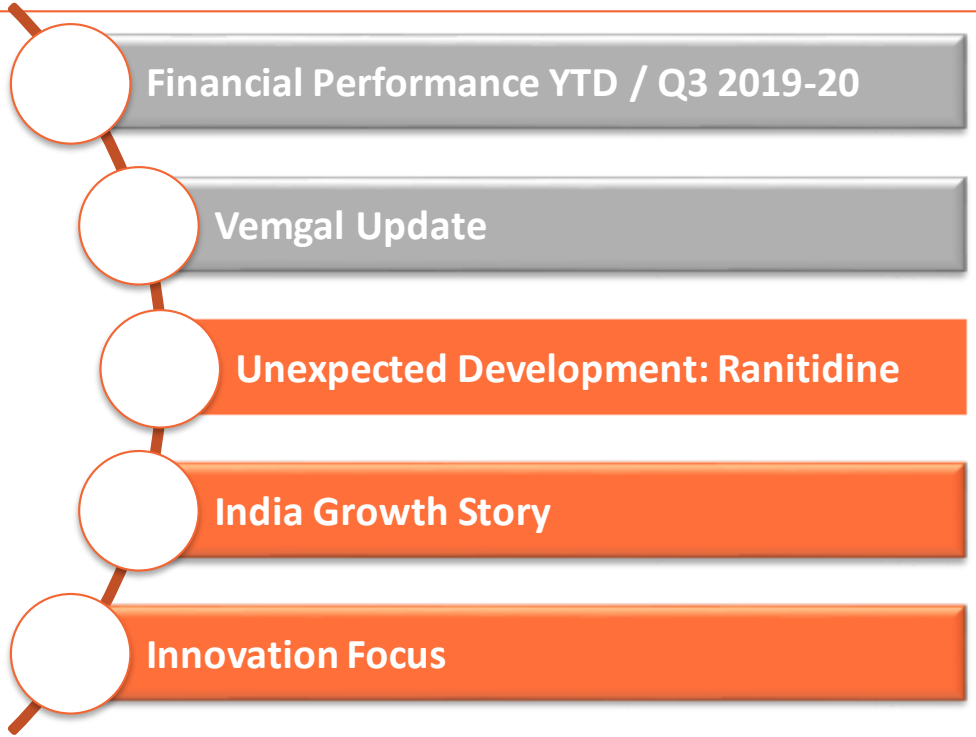
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# Unexpected Global Development: Ranitidine

- NDMA (N-nitrosodimethylamine) issue highlighted in mid Sept 2019 leading to voluntary recall of Zinetac

- GSK continues to respond to queries from global regulatory authorities
  - The EMA has initiated an investigation into the potential root causes for the formation of NDMA in Ranitidine containing products

- The investigation into the causes for the formation of NDMA is highly complex
  - Root cause analysis is on-going & multiple options are being explored
  - Currently testing a significant representation of batches of finished product (tablets, effervescent tablets, IV solution, and syrup dose forms)
  - 20 scientists working full time have analysed over 360 batches to date

- Patient safety remains a top priority and it is fundamental to maintaining trust

# Financial Evaluation

**Options explored**

- ❑ Alternate SKU production at site; Additional capital investment required hence low financial viability;
- ❑ Low volumes for alternate products leading to significant under utilization of capacity at Vemgal

**Financial Governance**

- ❑Ranitidine issue resulted in under-utilization and triggered an impairment
- ❑Recognize financial impairment of INR 640 cr connected to the underutilization of GSK's manufacturing facilities and INR 97 cr on account of other related assets / cost.

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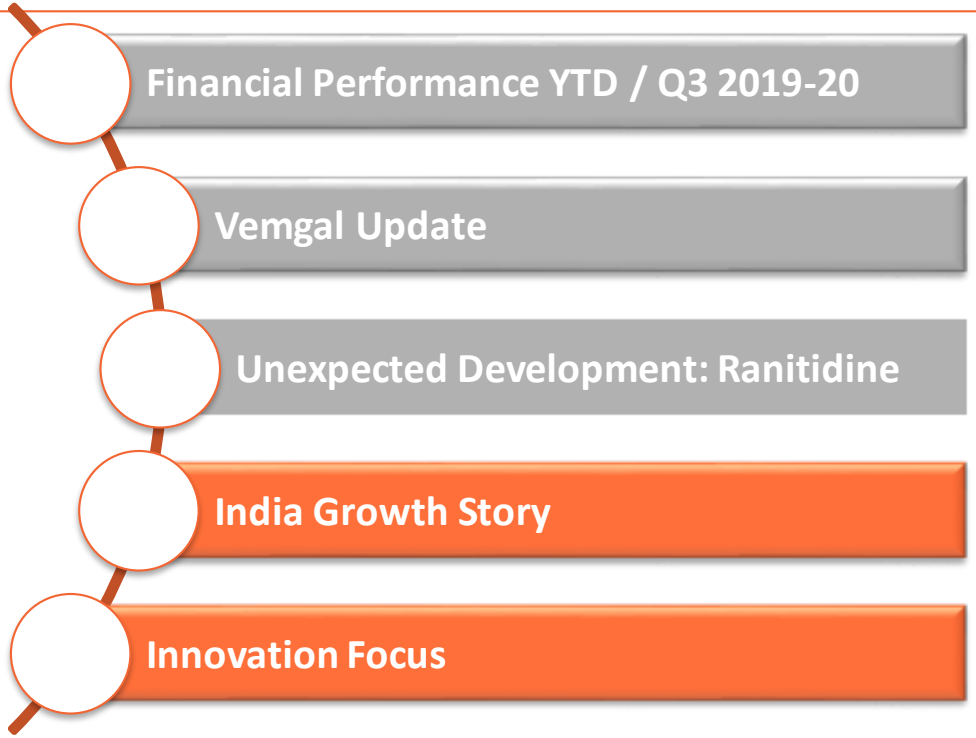
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# 2019-2021: Accelerating India Rx profitable growth

## Winning in right TAs

- Increased SoV on key brands to drive growth in AI, Derma and Vaccines
- Redeployment of 400 FTEs and increment of 200 FTE. Increase reach by 140K new HCPs
- Strengthen specialty pipeline with launch of Nucala and Menveo. Initiate registration process for Shingrix

## Winning in channels

- Build trust with channels
- Acquire/ Build capability to engage with channels
- Build technology platforms to commercially transact with 100K pharmacies
- +100 FTE
- Order fulfilment of distributed brands (Non-promoted)

## Winning with HCPs virtually

- Established a model for digital only promotion for 6 identified brands with agency onboard
- Enhance customer experience through increased touchpoint (1.5x) enabled by MCM
- Focus to drive higher Qualified Reach

**Improved supply efficiency with focus on OTIF/ Inventory**

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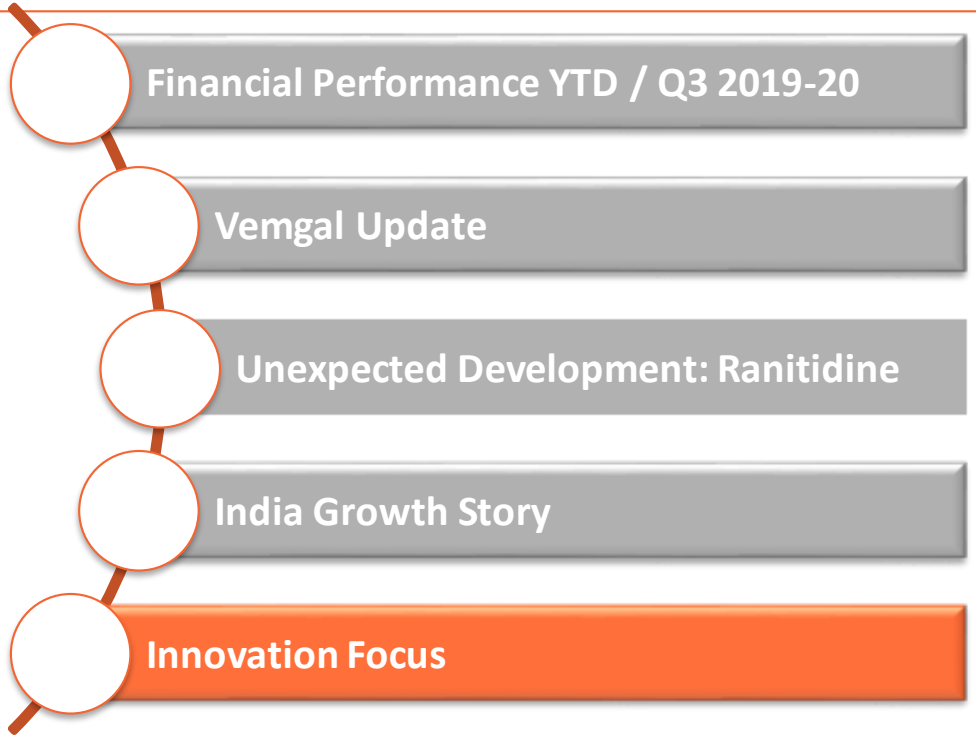
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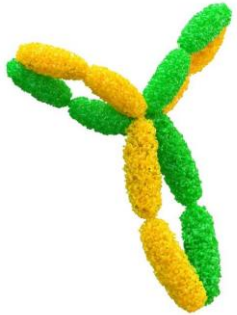
# Innovation Focus

## Innovation

- Continued success of Nucala (Mepolizumab) which is a humanised monoclonal antibody and indicated as an add-on treatment for severe refractory eosinophilic asthma in adult patients
- Launch of Menveo vaccine for protection against meningococcal disease.
- Continued commitment on introducing new therapies / specialities in the market both in Pharma and Vaccines with the initial success of Nucala and Menveo.



MENVEO
Meningococcal Group A,C,W135 & Y
Conjugate Vaccine Ph. Eur.