Moderator: Good evening, and a warm welcome to those of you in person and, of course, to those of you online. We will, of course, get to see your faces when you ask a question online, but really nice of you, to all of those who've come to the office - a warm welcome. As you can see, it's really warm outside. Without further ado, I am really pleased to have our new Managing Director, Bhushan. Bhushan is a veteran with over 27 years of experience and has been with GSK now for over twelve years. He has done roles in India, the Middle East, Russia, CIS and African regions. And before that, Bhushan had been with Janssen for 15 years. So, in those roles, Bhushan has worked in India, South Korea and Belgium. So, he's seen it all. He's been in India, gone there and now come back and in two different companies. So, Bhushan, it's really nice to have you leading us at this point in time. Of course, we have another new person. Probably some of you have met Juby or have not met him before. Juby has had a successful track record with GSK for over 14 years. He comes to us from his most recent role that he had in Singapore, but before that he's been in roles in South Asia, Vietnam, Turkey and the Middle East. With that, I'd like to hand it over to Bhushan, our Managing Director, who will brief you for the analyst meet. Bhushan, over to you.

Bhushan: So just remind me—I'm not supposed to cross this, all right. So that I'm still visible to them.

So very good evening to everybody in this room as well as everybody online. Thank you very much for your interest and your time this evening. The way I'll structure the next 20-25 minutes, at best, is to just lay out the context of the industry where we operate as GSK. Then we'll zero in on specifically GSK India and what we are doing and where we intend to be in the next three to five years. We'll briefly touch upon the financial overview, and then we'll open it up for the most important part of this evening session, which is the Q&A.

One inflection point in our evolution as a corporation globally was in June 2022, when we split the pharmaceutical organisation from the consumer business. And we now remain completely focused on what we call as 'biopharma'. I think that has allowed us to further sharpen our focus on doing our best in terms of the businesses for which we are known, namely vaccines and pharmaceuticals. But I think, more importantly, it's allowed us to sharpen our purpose, which is all about uniting science, technology and talent to get ahead of disease together.

I think every word there has a meaning. And in the next 20 minutes, I'll try and lay out how this global purpose also reflects in our ways of working in India. As many of you may be aware, the pharmaceutical industry in India is just short of about 200,000 crore. If you see the revenue in a calendar year, of course, the data points are from IQVIA for 2022, just short of about 190,000 crore. And if you focus on the right-hand side of the graph, the tables there really outline how the industry is structured in terms of, say, if you talked about the diseases on the previous slide in terms of therapy areas, how is all that laid out? And the reason for putting that out there is that, as we've tried to sharpen our business operating model, we're making some conscious choices about where we want to operate, where we want to play, and how we want to win. And as you can imagine, some of the growth ends of the therapy areas remain in the therapy areas, which are coloured in orange. And that's exactly where we've decided to remain focused and anchored. So anti-infectives, vitamins, pain, analgesics and most importantly, the derma business. These are the few strategic choices that we've made in terms of where we want to put our energy and remain focused. The reason is twofold. One, if you look at the last five-year CAGR as well as what we see over the next three to five years, the compounded growth continues to be strong double digits, or at least high single digits. And that allows us to play to our strengths. So clearly, the choices that we are making are aligned with our strengths. And that's exactly what we will play out.

Just a couple of minutes on how the past twelve months have been just, again, to drive home the point that at GSK we will not probably launch everything under the sun in terms of branded generics, because we all know this is a non-patented branded market in India. But we make some strategic choices that are very aligned with our strengths. So, although you might see the pharma industry, generally speaking, as having new introductions as one lever that's been conspicuously missing for us for the last few years, but I think what's heartening is that we have volume growth in a market that's not really grown in volumes. GSK as a company has really used the volume growth driver as one of the key levers. If you were to zero in on that overall market and see, where we are making our strategic choices, if you split that further down at the TC-4 level, which is a therapy, plus at the molecular level, you will see it's clearly evident that the choices that we made in terms of where we play are strongly aligned to strong market leadership positions. So, just to give an example, if you look at anti-infectives, and if you look at all the molecules where we operate, or where we have our research molecules, or where we have our strengths in place, if that therapy area has been growing by 9%, our growth has been better than that therapy area. So, if you just look at the bottom side, it correlates to having almost a 25% share, which is a significant share, and growing in strong double digits, not just on a year-on-year basis but even on a compounded basis. So, if you were to zero in, anti-infectives, derma remain the most durable as well as strong areas for GSK as an organisation. Pain, where we operate with a couple of brands, mainly Calpol, is where we operate.

Now, the therapy area has really seen, especially if you see the last two-three years, what we've seen with the pandemic, that therapy area has really shown an upswing. And even there, if you look at our CAGR, it's ahead of the market; it's just in line - 15% CAGR.

Where we have not done well is obviously in the vaccine market. But if you juxtapose that with the external reflections in a market that's actually declining, we've been adding share. So, although our decline is not as sharp or as significant in a market that's overall declined by 18-19%, we've still managed to hold share. So that's exactly where we operate. We made our strategic choices in terms of remaining focused on our represented market, which is roughly about 20,000 crore of the IPM. What really makes us relevant in the Indian market even today is that even today, we are the second biggest multinational organisation in India with a very significant footprint in a highly fragmented industry, we still have a value share in excess of 2.6%. But in volumes, given the sheer number of lives that we are able to touch with our mass products, we have a volume share just in excess of 4%.

What makes this even more enduring is the people—the 3700 plus employees who work for us across the value chain, but most importantly, our manufacturing footprint, which has remained intact. So, just like this facility, where we've operated right from independence, we still continue to have our factory in Nashik, which has definitely been upgraded in the last several years with all the measures that we've taken. The state-of-the-art manufacturing unit that we still continue to have for India, where we still manufacture for India. Apart from that, we still have about two thirds of our products manufactured by contract manufacturing organisations. I think one of the data points that I want to share with you is that in a population of 1.4 billion where we still don't know, if you go to different sources, you'll get different numbers. But access to medicines remains a critical area. Globally, we are always proud to see that GSK continues to figure as the number one company in the access to medicines index. But even closer to home, although we may not have a similar index, given the nature of our brands, given the nature of our products, we clearly touch in excess of 200 million patients every year. If you have to see the number of prescriptions that we generate for our brands like Calpol and Augmentin, it is in excess of 300 million prescriptions. And that clearly tells you the wide footprint that we have.

Similarly, we continue to be the number one company in the self-pay private vaccine market. In spite of the decline that we've seen for the last couple of years, we are still the number one company in private vaccines. And in a typical year, we typically see about 6 million immunisation sessions. So that's the real footprint that we have in India. And as I said, one of the things that's remained at the core of what we've done over the last several decades is our footprint in manufacturing. Here's a short video that summarises what we continue to do in Nashik with our manufacturing footprint.

Thanks for your patience. As you can see, not just the manufacturing footprint, but as a part of our ESG commitment, we're doing a lot there to remain relevant and also complete our formalities. So specifically, now zeroing in on our global strategy and how GSK India plugs in post the split from consumer globally, you would see a similar nomenclature. We remain rooted in three areas: general medicines, vaccines and speciality. And that's exactly how we play out our strategy, even in India. Within the general medicines business, this is the business that really touches millions of lives. As I said before, the strategic choices that we've made to remain relevant in anti-infectives, derma, vitamins and pain analgesics with those select few promoted brands are what shape our strategy.

We've just launched a couple of brands in speciality, but in the coming years, given the fact that we also have several clinical trials ongoing, even in India, the idea is to build that additional growth lever. We remain the leaders in private, self-pay vaccines. But I think what you will see at the top of that slide is probably something I'll spend a few minutes on in the subsequent slides, which is the new launch of Shingrix happening in exactly less than a few weeks, a couple of weeks from now. And that will really open up a completely new category in the form of adult vaccination for GSK India. As I said, we continue to make inroads in spite of the declining market that we have seen for at least the last five quarters now. Things are turning around, but it's too early to say we've turned the corner. But whether it's products like Infanrix hexa, the-6-in-1 vaccines, Synflorix, we still continue to hold a significant stake. So, if you were to anchor all these three businesses and see where it is that we really play, it's really the focus that we have in terms of defining sharp strategies for each of those assets. Our responsive go-to-market strategies in terms of our agility. And last but not the least, given the fact that we have an extreme level of commoditisation and fragmentation in this industry, how do you remain relevant by differentiating yourself with science, and which continues to allow us to differentiate versus the other competitors. The only reason for that being that the proof of the pudding is in the eating. So even after several decades, we are very proud to see the strong portfolio playing out in the form of recognition, not just in the form of sales, but even for the calendar year 2022 - Augmentin, continued to be the number one brand in the pharma industry overall.

There's a lot of science that still goes behind each of these brands. So, a clear reflection of the trust that healthcare practitioners in general have in our brands is borne out of the fact that four of our brands continue to be in the top 50 brands in the Indian pharma market. We also, as I said, are ahead of the market in terms of our growth. Therefore, most of our promoted brands have an evolution index in excess of 100, which means we are growing better than the market.

Just to give you some reference in terms of the sheer long shadow that we cast with many of our brands, with these brands no longer remaining trademarks, they are really trust marks in terms of the trust that patients and healthcare practitioners in general have. And just to give you a quick sense of the sheer volumes that we sell in India, over the last couple of years, we've been trying to also reshape our strategy in terms of using ways to really improve our footprint, not just the physical footprint, but to use ways of reaching out digitally to healthcare practitioners. So, as much as we are well represented on the ground with more than 2,700 reps comparatively in terms of the share of voice, so you see on the left-hand side all the data points, which clearly tell us why we remain relevant as an organisation. We cover in excess of 10,000 distinct towns and cities. We have our reps based in 400 rep headquartered towns. So that allows us to really reach out to almost 300,000 HCPs on a daily basis in terms of the details of the promotion.

But most importantly, apart from those physical touch points, in terms of science-based promotion, we also make ourselves relevant. I think in the last couple of years, we really accelerated our digital strategy by opening up new channels of meting out and reaching out to customers where they wanted us to be seen, be it emailers, be it channels like WhatsApp or be it doctor networking platforms. So, this balance continues, I think, as we continue to shape our journey in the next few quarters. We'll see more of us being present where HCPs want us to be seen, and not just the face-to-face interactions that remain relevant and will continue to be the mainstay of our operations.

So, if I were to summarise our strategic focus in the short- to medium-term, it's clearly about growing our promoted brands. The brands that I just shared with you in those three pillars, in gen-med, vaccines and speciality, really improve the competitiveness of each of those assets profitably. And second, to defend many of those brands with some optimisation. We call them performance brands. And last but most importantly, launch new assets and have some exceptional new category creation, starting with Shingrix next month.

All this is possible only with a culture where we really believe that people can thrive, develop and do the right thing. One of the mainstays of our portfolio continues to be the general medicine portfolio. We have sizable brands, significant in terms of the lives that we touch, but I think these are just pulling out two examples to show you that innovation is not just about launching new molecules. It's also contemporising the portfolio and really putting energy into lifecycle management. And just to give an example of the number one brand, Augmentin, we also launched Augmentin ES. Obviously, we want to address this molecule, which continues to be one of the most susceptible in terms of effectiveness, and therefore, to further help specialists, we launched Augmentin ES, targeted specifically at certain appropriate patients and promoted only to specialists, which are ENTs and paediatricians.
It's really helped reshape some of the thinking around how to treat these difficult to treat infections. So that's one example. The second example is about Calpol. This brand continues to save lives quietly, apart from all the medicines that saved lives during COVID. I think paracetamol, led by Calpol, continues to be at the top end. But even in a commoditised category like paracetamol, we have invested in new technology. We launched Optizorb technology, which essentially accelerates the disintegration of the tablets, potentially leading to a faster effect. So, Calpol 650 is not just trusted; it's also trusted and advanced now. So, these are just two examples showing how we are doing a lot more in terms of unlocking value in terms of lifecycle management.

Ah, the vaccine market - we've clearly seen a struggle for the last several quarters. The market is yet to regain the momentum that it had before COVID. But as you see, in the last couple of months, there's been the negative declines have now started evening out. So probably in the forthcoming quarters, we'll see some reflection. But I think most important is that even in a declining market where the market declined by an excess of 18-19%, we've grown our share. So, in this private market, our share grew from 34% to almost 37.9% on the left-hand side.

One of the questions that keeps getting asked is what our focus is. So obviously we have a portfolio aligned to the interests of all those birth cohorts, all those babies in the first and second years. So, in spite of many of the antigens going into the national immunisation programme, I think our portfolio remains relevant and a case in point is Infanrix Hexa, which continues to grow well for us even in the first two months of this quarter. We will also have some supplies restored in the coming months in our vaccine portfolio. So that should also strengthen and help accelerate some of those growth numbers. So clearly, on the private vaccine market, our endeavour is to sustain the momentum and go back to the growth numbers that we had.

I think the big area where we remain focused is the disease awareness campaigns that we have, especially to build the footfalls to encourage all those parents who may have missed vaccination because one of the themes that was predominant in the last 12 to 18 months was that many parents were missing their vaccination during the COVID period. And as many of you may have seen, last year we ran a very successful 6-in-1 campaign with celebrities like M.S. Dhoni. This year we've just launched a new campaign with some more brand ambassadors under an overall umbrella such as a campaign called 'Faisla Sahi, Zindagi Sahi', and I want to give you a quick example of what we are trying to do, given also what we are seeing around the flu vaccine right now. So, as I said, this is an umbrella campaign that we've launched. The example that I just showed you was just about flu, given the topical nature of many of us navigating through this challenging time where flu is quite rampant right now. But we have a similar campaign for many other diseases, including, for example, meningococcal disease. So, there's a similar one. We're using social media extensively. There's a whole media plan that we have for the next few quarters. I will not show this. You probably get the drift of what I'm sharing, but that was for another area, I think, where I want to spend the next three or four minutes specifically: opening up a completely new category for us, which is the launch of Shingrix. As some of you may have tracked, our global corporation may be aware. This is right now one of the biggest products and the biggest asset for us, delivering almost 3 billion on top line growth of 72% for the last calendar year, 2022. It was launched in nine markets last year. So right now, as we speak, it's available in almost 26 countries and we're very proud and privileged to have Shingrix being launched in India in the next few weeks.

Clearly, this is a massive opportunity. Almost 90% of adults older than 50 years old. This is all scientific data where we have the data points around epidemiology and prevalence available. They are always infected with the virus that actually causes Herpes Zoster or shingles. One in three people, it is estimated, will have this reactivation from the varicella-zoster vaccine that remains in our cerebral spinal fluid when we have chickenpox in our childhood. I think most importantly, this vaccine helps protect adults older than 50 from painful, extremely painful and debilitating conditions like post-herpetic neuralgia or Herpes Zoster Ophthalmicus, which are quite dangerous. And I think this is where we are opening up a completely new category. I think a lot of the organisational effort will be spent in ensuring that we spend our energy in ensuring that all available subjects get to know about this disease, but more importantly, have the potential opportunity to get vaccinated.

Why is this vaccine so special? As I said, this is the first time we have a non-live vaccine for Herpes Zoster in India. So, it's really a first in the class, in its category. It's approved for everybody who's 50 years of age and older. It's innovative to the extent that this is one of the first vaccines with an efficacy of 97%. Not just that; if once you've taken those two jabs, you have protection. We have proven protection data for ten years, which adds up to 90%, and that's really at the deep end of efficacy, which you rarely get to see with innovative medicines. So, this is exactly where we will be launching. We've just created a whole new adult vaccine team in the last few months, and we are going live with the launch in April. So that's about Shingrix. As I said, this will open up the beachhead for us in the creation of the adult vaccine category market in India. Obviously, there are a lot of follow-on vaccines, including vaccines like RSV, for which trials are happening. We'll see which of those innovative medicines and vaccines really make sense for India. But this really is the category for which the time has come, and that's where you will see a new platform of growth for us in the Indian context.

I think one of the main questions that we will address, but I want to get that upfront, is, yes, the NLEM, which is announced once every five years, was announced, as we all know, in late 2022. And this time, we have Ceftum and T-Bact, which are the two assets that we have that were new inclusions. Just to give you a quick sense, if you follow the pie charts, till last year, we had almost one third of our portfolio that was NLEM impacted. That's moving up by about nine percentage points. And now we have about 42% of our portfolio which is included in the NLEM.
Obviously, to mitigate this exposure, this short-term exposure, we will use the Shingrix launch effectively to ensure that we are able to not only create the category, but also build this additional growth lever in the immediate near term. We also are quite optimistic about stabilizing our paediatric vaccine business in the coming couple of quarters. But most importantly, as we've seen in the past, this is the third time we have had the NLEM impact. And with every single impact, I think there's always a short-term impact, but we've always seen that we've grown the volumes, 2x, 3x for some of our products, and that's exactly what we've seen in detail working and we have the plans in place now in terms of specifically zeroing in on what kind of volume upsides we will have for each of the assets that are now included, apart from, of course, the tailwind that we may potentially get from WPI, and of course, cost optimisation, that continues to be part of our ways of working.

So that's the summary of the NLEM impact. I think if you were to ask me, how does it directly correlate with the EBITDA and margins? Yes, in the last three or four years, we've definitely improved our margins. And as you would see in the immediate near term, we don't see an impact for the financial year, but we certainly see in the financial year 23-24, we will see some erosion there. But as I said, it's a short-term erosion, which we are confident in given the volume growth that we will drive. Plus, the launch of new assets will help us tide over. So that we are back to the EBITDA and the margin expectations in the near term. If you were to look at the five-year ambition that we have at GSK India, obviously, it all begins with touching the lives of as many Indians as we can. As I said, at any given point in time, we touch about 250 million to 300 million lives annually. The question is, how do we touch, continue to touch, a billion lives in India over this planned period or even more? And the three pillars, therefore, on which we will base our strategies. One is driving all innovative launches to fuel this growth machine. Most importantly, deliver and continue to deliver competitive performance with profitable growth for each of those assets in the base business.

Both general medicines and paediatric vaccines, above all else, remain rooted in our cultural pillars of being ambitious for patients, being accountable for impact, doing everything that's right for our patients and for the organisation, and evolving a culture where our people can really develop.

So that's the substance of what I had to share. I also wanted to share with you that we are incredibly privileged and honoured that in November 2023 we will start our centenary year of celebration of GSK's operations in India. We are entering our centenary year. So, November 24 is when we actually complete 100 years. But our centenary year begins, and that's only because of the trust. So, we continue to do all that you saw in the previous slides, and our endeavour will be to build on the growth story and continue to build trust, not just for the assets that we have, but for everything we do to serve the needs of patients and consumers at large in India for the next hundred years. So, with that, this is my last slide. I think I and Juby can open up the question-and-answer session.

Moderator: No, thank you. Thank you, Bhushan. May I request you, Juby, to come? So, I think the first preference for questions would be the people here, because you've already taken the time to come here. So, maybe we'll start with Alka; maybe just introduce yourself first so that everyone knows who you are and your questions. And if you have a preference for a response from Bhushan or Juby, just take that.

Alka: Hi, this is Alka. Sir, if you could explain a little bit more on the Shingrix market size in India in order to, you know, help us understand how big the opportunity is going to be for us. I'm a bit confused because I was referring to a few articles. So, the cases in India for Shingrix that I have received have come from multiple sources. So, some sources say it's like, you know, annual cases in India are about 1 million, some say 3000, or something like that. So, if you can share some broader-level prospects on that.

Bhushan: Sure, that would be helpful. So, just to give you again some context, remember that one of the things that's unique at GSK is that we probably are one of the few companies that still continues to be broadly diversified in terms of operating at both ends of the spectrum - prevention and treatment. So even if you look at the treatment of Herpes Zoster, what you talked about is the actual treatment. And obviously, Shingrix is to prevent. So, the numbers, depending on what sources you see, are different. But even there, for example, Acyclovir, is another research molecule from GSK, which continues to be the main line of treatment for Herpes Zoster. Now, when you look at who all potentially can benefit, the label that we have is every single person over 50 years old. Given the fact that it's well documented that the immunity and immunogenic responses go down after 50, plus, coupled with some of the concomitant illnesses that people may have that may also trigger immunogenic responses and therefore lead to reactivation, because most of us are infected with this virus and it remains in our cerebrospinal fluid.

As I said, when we have chickenpox in our childhood, this gets reactivated and then manifests itself in the form of Herpes Zoster. So, if you look at the scoping, clearly, everybody over 50 years is part of that cohort, which is very significant in our country. We are talking about millions of people who can potentially benefit. Now, obviously, it's a vaccine. As I said, it's a new category. So, we are mindful of using all appropriate filters in terms of who can benefit, who can access and who can afford these kinds of preventive medicines and vaccines. So that's, you know, prima facie. The cohort that we are talking about is in excess of 10 million people to begin with. And that's the kind of change you can bring about with a vaccine like Shingrix.

Alka: Thank you. Talking about affordability. So, if you could explain, this is also self-pay. Okay. So, when do we expect the sales to start coming in? Because in the speciality portfolio we are already seeing Nucala and Trelegy at roughly 1% or 2% of the overall sales. So how do you see the ramp up in Shingrix's post-launch?

Bhushan: So I just want to contextualise probably Nucala continues to be a niche product. As you're aware, it is indicated for severe eosinophilic asthma, which is really at the top of the pyramid in terms of being an incredible product—it's a biologic—but it's indicated for a select few groups of patients, unlike the base of the pyramid, which continues to be mild to moderate or even severe asthma. This is really severe asthma in patients who really need a biologic. So, to begin with, the comparison might be a little incorrect. But coming back to Shingrix, if you look at most of the markets where it has been launched, the trajectory has been significant in the first six to twelve months itself because suddenly you have now an innovative vaccine that has 97% efficacy. Most importantly, it helps avoid serious complications like post-herpetic neuralgia, which is extremely painful. We will start with the stocks that have already arrived in the country. They are undergoing testing, and we estimate that we should be able to offer this vaccine to the consumers at large starting next month, in April.

Alka: That's answered my question.

Moderator: Okay? We passed the mic. Okay, go ahead, just introduce yourself.

Gokul: Gokul here. So just two questions: one is that you break up your business in terms of promoted brands, others and vaccines. So, in the last nine months' results, what would have been the growth rates between the three broader segments of the business?

Bhushan: The way we categorise general medicines, private vaccines, and of course, speciality. Now, given the size of the specialty business, it's still relatively small because it's a muscle that we are building for the future launches. A bulk of our business, so almost 80% of our business still comes from general medicines portfolio and that part of the business has been growing in high single digits.

Juby: So general medicines is growing by 10%. So general medicines make up almost 80% of our total business, okay? And vaccines make up 20% of our total business, which is degrowing roughly 34% in the last quarter, 35% in the last quarter. But we expect that is going to stabilise. Now inside general medicines, which make up 80% of our business, so, the promoted brands grow 10 to 13%, depending on the last two quarters. Q2 was 13%, and the last quarter was 10%.

So broadly, double digit growth across most of the quarters. You could see it's a very strong portfolio, and we expect the same might be continuing as well.

Gokul: Just to clarify, you mentioned vaccines decline of 34%.

Juby: So, vaccine, if you see Q3 of FY23, which is the last quarter, in this quarter there has been a 35 percent decline year-on-year, okay? The quarter before it was also around 30-32% decline. Now, what is interesting is that the absolute value of the last two quarters is almost stable. We are seeing stability come through in the vaccine portfolio. So, this decline is mainly driven by the market decline as well as the NIP business, which is this decline from the National Immunization Programme. Some of the antigens are getting there, but the good news is that we started seeing growth in some of our key assets. That's one part. Second, the overall portfolio started stabilising in the last two quarters.

Gokul: So essentially, in FY24, you should see growth in the vaccines portfolio.

Juby: That's right. That's what we are expecting.

Bhushan: Absolutely.

Gokul: Okay.

Bhushan: Just to add to that point, if you recall, there were enough data points available to actually show that the birth cohorts were indeed suppressed for at least three to four quarters. And when you look at some of the surrogate markers in terms of the pregnancy test or some of the products used for pregnancy, those have gone up since September. So, that means birth cohorts will start normalising as we speak and that's another indicator for us to tell us that we will definitely see stabilisation in the paediatric vaccine market.

Gokul: Okay. And secondly, WPI last year allowed us—I mean, the price hike in the NLEM was 10% because WPI was that number, you know, in the NLEM portfolio. Did we pass the 10% price hike across?

Juby: Yes, we have taken on all the portfolio - full 10% price increase. But that said, it is a little bit phased out. Some are coming after April to May. So, there's a bit of a phasing there, but the full annualised impact on that for FY24 will be completely 10%, which fully answers your question.

Gokul: So, the impact of this will be felt going forward.

Juby: That's fine. That's fine.

Gokul: Okay. And lastly, just on the slides, which you mentioned, that high single digit growth aspiration that was for the next three to five years, is that right?

Bhushan: Yes, in the next couple of years, given the fact that we will definitely have—so we don't foresee much of an impact on the overall financial year ending March 2023. But in 2023-24, we definitely see with all that we are doing, there will be some marginal impact. Both top line, bottom line. And that's why I said single high digit. Obviously, when I scope it over the five-year period, the aim is to grow by double digits.

Gokul: Okay, great. Thank you.

Moderator: You can just pass it on. Just pass the question. Okay, you're right. We'll come to you. Just introduce yourself.

Satish: Yeah, I'm Satish. Sir, I have seen Glaxo from maybe 1990s. So literally a span of 35 years. You had a good phase till maybe 2000. Then you had a very bad phase till maybe the last ten years; I think maybe it was very erratic, maybe because of any NLEM coming in and those things. So, in the last five to ten years, we have seen that the entire market is moving more towards a chronic area. That way, how Indian things are also getting changed. You can see from your portfolio - cardiovascular, which is just 5% maybe years back, now it is 30-40% of the market. And your portfolio is now more confined to vaccines and respiratory, which we feel is one of the specialties of GSK, which is putting money into the R&D side. You said that with Shingrix, you're targeting a market of one crore people, maybe the maximum in Tier I and II cities, where they can understand such products. So just if you do some mathematical work and launch at Rs. 5000, which may be a decent thing, so that's roughly Rs. 5,000 crore product. So, I just want to know what type of thinking is there in terms of management to make, if not 5, maybe 500 to 1000 crore worth of product. Because that is really going to move the needle for Glaxo. For a company whose size is 3,500 crore, you need some good products, really. You can make 500 or 1000 crore and you are the only one to have such a vaccine. So, what type of differentiated marketing investments you want to make? Maybe, you would have to spend 100-200 crore on a product. Is the Board or the Management thinking along those lines because you have some really good products. So, what is the management thinking about those? Then I'll say we'll talk on Nucala also, sir.

Bhushan: Sure. So first of all, thank you very much. It's a great question in terms of scoping out the size and potential. We would love to have this kind of aspiration translated. But as you would also agree, in a market where not just paediatric but also adult vaccines are self-paid, there are definitely filters for access and affordability. But that's exactly the reason why we are playing at the deep end now in terms of placing these bets in areas where we think we have the advantage. We know and we are confident that we have the differential advantage in terms of innovation, but more importantly, we have the ability to build that market and that category. So that's exactly the reason why we are spending our money and our energy there. So, the point that you make, I think, is a very important one. If you remember one of the points from my slides, we are one of the few companies that still has four brands among the top 50. That's almost 10% of the top 50 brands from GSK's stables. And that's one of the reasons why, as an organisation, you will not see us launching products that make just 5 crore or 10 crore. It doesn't make sense to put our energy and focus there. It's better to invest in areas where we know we have a differential advantage, where we know we can make a significant impact and solve a critical medical need. And so, you'll see that most of the subsequent launches that we have or the work that's happening is all in areas where we believe we have the ability to build such mega brands just by following up. So, the question that we ask internally is, which is the next Augmentin for us, which is the next Calpol for us? And that's the intent with which obviously, we want to build, spend and create that new category for Shingrix. So, the answer would definitely align with what you're thinking.

Satish: Sir, the vaccine is basically preventive. The next is on Nucala. I think two or three years back, in your annual report, you told the eosinophilic-based asthma patients that we have around nine lakh patients in the country, and maybe the cost of treatment is something like, one and a half lakh rupees for the entire four or five doses that you take. That itself is another big market. So, this is a product, and the market is ready. So, what is preventing you from making 500 crore? What is preventing you? What have you got to do differently that Glaxo has not done till date to make it something?

Bhushan: Sure, yes. We truly believe Nucala is a great asset and as I said, it continues to offer benefits to patients. Now obviously, we have aspirations in terms of taking it to the next level. We've just created a new structure now to support our entry into the institutional segment, build key accounts, and manage management capabilities. The brand has done I think, for 2022, we did cross 1,520 crore. The question is, what will it take to make it 50 crore or 100 crore in the coming time? And I think that's where we are spending.

Satish: But you have a market; you have nine lakh patients already there.

Bhushan: But also, you have to remember it's a biologic. And I think, like any new category, physicians will have to be ready to start choosing biologics. And I think that's an area where we have invested in the last twelve months, and we'll continue to invest even in the coming time. So that's exactly where we are putting our resources and energy in terms of category creation. When categories get created like this, they will not follow a linear curve. They follow an exponential curve at some point. So, although the build-up might seem like a slow burn at a certain point, it really creates a different exponential trajectory. And that's exactly what we're aiming for.

Satish: Are you ready to spend 5,000 crore on that particular brand in a particular year for the next three years? You can spend 150 crore. Maybe the payback will be a fact. Maybe after three years you may see the top line suddenly becoming exponential, like 100, 300 or 500 crore. But that's already a USD 3 billion drug for you globally. And that's a product that I think India needs; I think education might be the science provider for the doctors. So, I still think, why is Glaxo still not making it a killing? So, what is preventing that?

Bhushan: No, I think there's nothing preventing it. As I said, even if you look at all the biologics that are used in this space, it is a significant new entrant. The reason I say that new entrant is because we started getting into some of the key accounts because these kinds of products also need to get into the right institutional account. So that's what's happened in the last few months and I don't think anything is stopping it. It's just a question of finding the right time for us to swing that needle. Because, as I said, category creational biologicals do not definitely form a linear curve; it's definitely an exponential curve.

Satish: Okay, thanks.

Moderator: Thank you. Thank you for your question. Can we pass? Introduce yourself.

Anuj: Yeah, hi. This is Anuj from N3 Investments. I want to drill down on vaccines a little bit. So first, on the short term, industry after industry has seen pent-up demand show up. And if I see the parents' portfolio, the vaccines have grown by 20% post-COVID. It's interesting that India continues to show degrowth and it's not a normal scenario. So, you said the cohort is showing up, but isn't it too delayed? So why is India's scenario being different than the global? That's question number one.

Bhushan: So, two things happened, as I said. One is that we did see suppressed birth cohorts. But again, in a population like our country, where you have an average birth cohort of 26 million annually, should it really be material enough to start denting? It is a question we can ask together. But we did see that the footfall in the clinics of paediatricians had definitely gone down. The other reason that Juby just alluded to was also the introduction of some of the newer antigens in the National Immunization Programme. So, you had PCV or the pneumococcal conjugated vaccine, that got into the National Immunization Programme and that was probably the biggest. If you look at the immunisation rates in our country, even in the targeted cohorts, the highest immunisation rates are in some of these categories. And when these get into the NIP, a large part of the population also starts moving to places where this is given for free. And I think that was also one of the reasons why the vaccination for other antigens started getting mixed up in the private chambers. Again, these are anecdotal. This might seem anecdotal, but in terms of connecting the dots with all the data points, this is exactly what we know was happening on the ground. As I said, some of the surrogate measures that we've seen in the last few months tell us clearly that you've seen that it's turned the corner. We are stabilising in terms of both volumes as well as value. And the growth will only start coming in the next few quarters.

Anuj: Sure. Thanks. My second question is: if I again look at the parents' portfolio, the growth for vaccines, it seems, has been 10% CAGR for the past 22 years, maybe 23. And if I take the India data, it seems that it's nowhere close. So again, there are three parts to it. One is the NIP programme, one is the competition, and coming to the third, can you just give some more colour as to why, as you explain, some part of the loss is structural because of the NIP programme, so can you share some more details regarding how we are losing in terms of the NIP expansion every year?

Bhushan: Sure. So, if you look at the vaccine market over the last two decades, if you look at GSK, 20 years ago, our biggest vaccine brand was a brand called Engerix-B. Now that is no longer even available in most of the countries. So as vaccines evolve, where you have higher valencies, where you have tetravalent, where you have pentavalent, where you have six diseases covered in one single shot, obviously the nature of your portfolio evolves. And I think that's the nature of the vaccine business today. If you look at the pentavalent and the hexavalent, these are the ones that are mostly there, so if you look at these two categories, they're really driving the growth. And therefore, if you look even internally within GSK, our own hexavalent brand, Infanrix Hexa, is not following the same curve as the PCV, which is going to the NIP. It's growing. So compared to the minus 35% decline that we see in the market, this brand is still growing, maybe in single digits, but it's never seen a decline. So, you see, the market is shifting to vaccines that really make sense for physicians in terms of requiring fewer jabs and lesser pricks for children. I think, that's the nature of the vaccine business.

Anuj: Okay. On the specialty portfolio, I think the last time you communicated that it was 4 to 5% of the revenues and you had aspirations of 10%, where is that heading up? And also, the portfolio, which could be transferred from the parents, in let's suppose for the next three to five years. Throw some light on that area, please.

Bhushan: I don't know about 4%, but we've just launched, so we have only two products in the specialty portfolio right now. We have Nucala, which is, as I said, a biologic. And we just launched the triple-therapy SIIT, which is an inhaler called Trelegy, but again, that's indicated for COPD, not for asthma. So, these are the only two products we have right now. We'll see, as I said, that there are more than 20 clinical and global trials happening even in India for many of our assets. We'll see in terms of the access strategy, in terms of what makes sense for us in terms of unmet needs, what to tap into from that portfolio, but that's something for the future. As we talk, the idea is right now to build a speciality muscle with the two assets that we have in the forms of Nucala and Trelegy.

Anuj: Okay. And one last question: I think the earlier gentleman was talking about investment. So, could you talk about the structure or the sales for which you are aligning to this segment so that it will give us some thought flow to how it is being built?

Bhushan: It's a brilliant question. In fact, both were brilliant questions in terms of the appetite that we have to really fuel the growth at the growth end. And just to give you an example with

Shingrix, we've created a completely new team for adult vaccination, especially for Shingrix, with almost 200 people on the ground with specialised capabilities and experience in creating new categories. So that should also tell you, plus, these kinds of new launches will also depend on how we are able to resource all areas around disease awareness, around creating consumer campaigns, really creating patient assistance programmes. So, I think those are all the levers that we are unlocking and that is something that you will see in a very significant way, beginning with Shingrix.

Viraj: Hi, my name is Viraj. Just a couple of questions. First, you talked about a high single-digit growth rate in the next three to five years. And this is, I'm assuming, it's after the impact of NLEM. Now, if I look at FY24 based on the current prices of the brands we have, what will be roughly the impact of NLEM and after the WPI increase, what will be the net impact? So that is question one, if you can answer it.

Bhushan: Sure. So I'll hand it over to Juby. But before that, look, the NLEM prices are coming at different stages. So even as we speak today, a lot of these draft prices are out. Some of the draft prices are still not out. The final ceiling prices are coming, I think, in a staggered fashion. So, it really depends on which quarter it falls in and therefore which year it gets accounted for. And that's why I made that statement that for the financial year ending this year, March 2023, we don't see a significant impact. But for the coming year, definitely, we will have exposure. And that's why we have lined up all the initiatives that I just shared in terms of how we intend to mitigate primarily through new launches like Shingrix, but also by learning from all the lessons that we've had in the past, where, as I said, Augmentin has had an NLEM impact twice. And today I just showed you that it still continues to be the number one brand in the industry by way of revenue, in terms of value. So that gives us confidence to mitigate a large part of that exposure. But I'll hand it over to Juby if you want to add something.

Juby: Speaking on NLEM, I think first there are two or three new assets that got added to this right, which are Ceftum and T-Bact. These are big additions to the NLEM. Now, the total annualised impact for next year, FY24, could be in the range of 8-9%. We're talking about 240 to 270 crore. That's massive. Now, we should not see this impact as a discrete price impact because most of these price impacts are so massive or significant that the price volume gains will kick in. So, we've been thinking about how we can mitigate it. There are several things we are doing to mitigate. One is the volume that we were talking about on the slide. Second are new launches, which are like the product lifecycle extensions that we are seeing in Calpol Plus; third is cost optimisation, fourth is expense optimisation. All these things will help us net what we are talking about, which is roughly a good line of sight of 70% profitability mitigated, as we speak. Okay, so 89% of the top-line impact flows into the bottom line. We will be seeing 70% of those mitigated impacts on the things we are still exploring, as we did in 2014. We will subsequently see a similar level of impact, but since we've been mitigating it, perhaps the same will be happening this year also.

Viraj: So, this 8-9% is pre-WPI pricing.

Bhushan: Pre-WPI, WPI will be further helping us to mitigate this one.

Viraj: Okay, got it. The second question is on the vaccine part and what you were answering to one of the earlier participants. How the mix has changed over, say, a 20-year period. So, there are two or three questions on vaccines versus if I have to look at the last five or seven years, can you just probably give some more colour in terms of what the contribution is? So, what were the top five vaccines contributing to the portfolio? How has that changed, say, versus the last five years? And now, what are those? And if you want us to understand the market segmentation further, can you provide a little more perspective on which segments you have seen more sharper degrowth in and which segments are still growing and, in that sense, how is overall competition in each of those segments?

Bhushan: There were multiple questions in that, but I'll try to peel back those layers and try to answer the broad themes. But, yeah, I think, if you look at the biggest launch that we had in the private vaccine business, it was almost a decade back when we launched Synflorix, which was our brand of pneumococcal conjugated vaccine, indicated for, obviously, the prevention of pneumonia. And in fact, this was the first vaccine in the industry to cross Rs. 200 crore in annual revenues. And today, this is exactly the vaccine that is in the NIP. So, in the private segment, obviously, will this demand evaporate completely? Absolutely not, because there will still be parents who will want to vaccinate their kids in a private setting. And that's why we still believe that at any given point in time, for a company like ours, we will still have access to vaccinating about 25,000 kids every month in the paediatricians' chambers with this vaccine. So that's one part of our plan, from a criticality standpoint, with this vaccine. So, to the you know, broader question, if you look at our vaccine portfolio today and look at what's in the NIP and what's our exposure, because we've already mitigated that, is now less than 6-7%. So, for example, Rotarix, which is our other brand for rotavirus and is also in the NIP or now Synflorix, both of these are accounting for less than 6% of our top line. So, I think that globe is already factored. Where we are now playing is the hexavalent that I said it's the largest vaccine now. It's almost 165 crore in top line value, it is growing. So that's where we're investing all our energy. We have flu, for which we have Fluarix Tetra, which is not just during COVID time, those two years, but even today, as you can see, it comes in both southern hemisphere and other northern hemisphere two variants given the seasonal changes. So that's another vaccine that's significant for us. And of course, we continue to have leading brands like T-Bact, Boostrix and Menveo. So clearly our portfolio is now very well aligned as opposed to in the past where one brand was pulling up the whole portfolio. Today, it's much more balanced in terms of the contribution and also the growth end.

Viraj: Okay, so when we're expecting the growth for this portfolio vaccine to grow next year of Shingrix, what kind of growth do we see starting to come for us because of the effects of another immunisation and other elements that are kind of going that way now? So how should one look at the vaccine portfolio as it is behaving for us? And what kind of team is supporting this?

Bhushan: No. So, it's a very good question. Again, look, from a massive slide that we saw for the last 12 to 18 months consistently in the paediatric vaccine segment, as I said, in the last couple of months, which means two months of the last quarter of this financial year, we are seeing the business stabilising as opposed to the 19-20% growth.

We have low single-digit, 3-4% growth, which means we've turned the corner, at least in terms of holding. The idea is as we enter the new financial year, is to get back to double-digit growth. Of course, as I said, we also have the advantage of some of the vaccines that were stock constrained, like we have a vaccine which has been out of stock for more than a year. So that's coming back, which is for chickenpox, basically. So that's coming back this year. So, with all of that, we should be able to get back to our intent, which is drive double-digit growth. Again, Juby, do you want to add something?

Juby: I think you completed it. We are expecting double-digit growth, particularly with the vaccine business stabilising, some supplier assumption exchange is also required.

Viraj: Okay.

Juby: And also, just to add one more point, the NIP part was having some impact. It's so miniscule at this point in time. So that's not going to have a big impact in terms of decline. Okay, just one more question was on the MR team, if you can provide more perspective in terms of how the digitalisation, has affected the speciality vaccine and other segments, what kind of MR team is focused on each of these? Just to get a perspective on how we are going, about where we are putting more resources in the future.

Bhushan: So, as we watch, as I said on one of my slides, our strategy is very clearly aligned in terms of therapy areas and the customers that we serve. And that's how the strategy is dictating this current structure. So, as we speak right now, we still have a long way to go if you were to look at this as a continuum. At one end of the spectrum, you have the mass teams, which are largely the general practitioner-led paediatric teams, which promote products like Augmentin, Calpol, and are more about reaching people and getting their voices heard. Then we have the dermatological business team, which has a very specialised focus. Then we have the paediatric vaccine team and then we have the Shingrix team. So that's how we are structured. On top of that, I think we will continue to provide a lot of access to science.

We still have a rural team that is based in Tier III and IV towns. We have 175 of them who are based in the interiors of India. And they cover the entire portfolio because largely the practitioners in these areas also become specialists. So, this is how we are structured currently. And that's exactly to serve the strategy that I showed you in the earlier slide. So, this is how we are structured. What's changed in the last three months is that we've carved out a completely new Shingrix team and we have a speciality team that we've just started reinvesting in, similar to what you heard. We've just expanded that team to build some of the new capabilities. So, this is how we are structured as an organisation.

Viraj: Okay, just two more questions. One is on the employee base part. I think we downsized around 125 people in the sales and distribution functions. And suppose that with this change in employee base, we're doing something between a 100 and 4150 crore quarterly run rate in terms of expenses. So, should this kind of thing continue, or do we have other options, you know, it is resizing.

Juby: So, the resizing thing, if you see from the 2022 financial exit to now, it's almost 200 headcounts. We have resized down. Okay, so this is the trade team. So, the inflationary pressure is what we are seeing. What you said about the employment cost is correct; this resizing is assisting us in managing that. Other than Shingrix, we are not investing in headcounts in other areas because we are already resizing them. We have already been categorised into these three categories, and we are put in them. Shingrix is again a new headcount, and we are positioning 200 headcounts into the business.

Viraj: Just one last question for you. If you look at our own listed entity, for the last ten years, the shareholder returns have been below FDA returns, to put it in that sense. If I have to look at the top management, if you can provide some perspective, how are they incentivised? Do we have a formal ESAP policy, which might bring more focus to the growth part of the business? And how is the parent organisation looking at the listed entity in India?

Bhushan: Well, we continue to be listed here. As I said, we have been listed here for more than 50 years now. So that should tell you that we continue to do so, and we have a board of independent directors who are absolutely focused on revving up the growth engines of this company. So that's the top line. Yes, I think the global organisation is such that we do have visitors in India, including our global leadership. Obviously, given the geopolitics, India continues to be now an even more important market for us as an organisation. So I think yes, if you look at the last ten years, the TSR has definitely left a sour taste in everybody's mouth, including ours. What are we doing about it? I think we've, as with any organisation, placed some bets. Unfortunately, as with as the nature of business development or the bets that you place, some of them worked, some of them did not work at all and have set us back, including, for example, what happened with our plant and some of the key assets that fell off the radar for us. So obviously, the idea is to be forward looking and see what we can do. And that's why I said my last slide was clearly focused on what it will it take for us to deliver 10% growth as an enterprise.

If you look at the last couple of years, there has been double-digit growth in our parts of the business. If you look at general medicine, which is 80% of business, that's grown by 10%. So hypothetically, if a vaccine business had delivered, if it were not for these externalities that were completely out of the syllabus, so to say, you would have probably been able to solve that growth story and answer some of your questions. But that's the intent moving forward. I think the whole organisation, both globally here, as well as the listed entity, is focused singularly on the growth agenda right now.

Janelle: Yeah, hi. This is Janelle. I have only one question. The global reorganisation that we had between the consumer and pharma businesses, does it have any implications for India in terms of the focus on pharma from the point that you've been mentioning? So does that really have any focus in that sense?

Bhushan: From an Indian standpoint? Not really, because there was no umbilical cord connecting the consumer and the pharma business in India because we were two separate, legally listed entities here. So, to that extent, on the Indian market, it hasn't really made any difference. I think the only difference is that globally, obviously, it sharpened the focus in terms of putting energy into biopharma. And that plays to our advantage because the whole organisation is now focused on how we can increase the growth trajectory within the pharma business, of which India is continuing to be the largest business within the emerging markets' business. So, we are the largest business within the EM group. Therefore, the focus even further improves moving forward. Juby, do you want to add something to that?

Juby: No, I think you said it. It's a completely different business now. Two things. One is that we become more relevant in the emerging markets group. The second is globally, as they're completely different entities and the focus on research, development and finding new entities, all those things will go up globally. Eventually, that will flow into India. Right? Directly, once they find something. So that's the simple connection we'll have. Other than that, logically, at this point in the ground, there is no difference. We have completely two different management teams. Everything is separate. No sharing of expenses, nothing of the sort. So, it's business as usual for us at this point in time. Okay. Thank you. Good luck.

Moderator: So, we have two folks who've raised their hands online. We have about 58 people at a point in time who joined, but two of them have raised hands. Melroy, if you can unmute one of them and if you can introduce yourself and then shoot the question to Juby or Bhushan. Melroy?

Melroy: Yes, I've asked them to unmute.

Moderator: Yes. If the name is visible, maybe you can call them out.

Melroy: Mr. Gagan?

Gagan: Yeah. Am I audible?

Melroy: Yes, you are. Hi, Gagan.

Gagan: Yeah. Good evening. So, the first question is more of a clarification. You indicated a 250-crore impact of the revised NLEM on T-Bact and Ceftum on the top line. And you said you'd be able to offset 70%. Does that mean the operating level EBITDA impact would be around Rs. 75 crore because of this?

Juby: So firstly, Rs. 250 crore is not for Ceftum and T-Bact. It's the total impact across all the NLEM portfolios. Okay, so we got around 34 stockkeeping units under NLEM, so it's a total impact on all the portfolios. So, we'll see 2 to 3% impact on the bottom line for the first year at least. But we are expecting to mitigate in the outer years as we speak.

Gagan: Right. And in the last few months, I think the prices of paracetamol API and also some other APIs have sort of come down and softened a bit. So, as you enter the year on the NLEM piece you probably get an 8% to 10% increase. You also get the input prices corrected. And the full impact of the last year's 10.7% increase. Would all of this not in some measure offset the impact of the revised prices? Or are you saying that after considering these positives, the net impact of 2 to 3% is what you estimate?

Juby: Yes. So, taking everything into account, we're talking about a 70–75% mitigation at this point in time, because you can see the magnitude of the impact. Right? So, 89% has a massive impact on the top line. So, the mitigation covers all of these things, including the cost savings, the WPI that will be introduced, and some of the manufacturing changes that we are implementing. For example, when you are seeing that video of Nashik, there are some packaging changes we are making on some products. So, these are all going to help us with the cost savings. Now, just to add, we've been working on this for a long time. If you think about 2014 or 2015, our EBITDA used to be 14 to 15 percent. It used to be higher. It has dropped to 14–15% at some point in time. Now that it has gone up, several initiatives have gone through.

So, we are working on several initiatives like that. And as we speak, we are talking about 70% mitigated. 70% to 75% will be mitigated.

Gagan: Right. And you also indicated that, in 2024, you are aspiring for a high single-digit top-line growth. If the impact on your top-line is of the order of 8 to 9% negative from these 2-3 products or whatever more SKUs you've talked of, it means the balanced portfolio has to grow very sharply, probably closer to 20%, for you to be able to create that sort of top line growth.

Could you elaborate a little more? I mean, is the new product that you're going to launch plus the baseline growth on other products going to be able to give you that much?

Juby: Yeah, that's right. I think what we are seeing is two to three dynamics playing out in FY24. One is the Shingrix launch. It is a big launch for us. That is one piece. The second is the volume increase. Some of these price reductions, particularly T-Bact and Ceftum, you will see a massive volume increase. That's what we are expecting. So, with the volume increase, with the new launch, with some of the supply coming back, we are expecting that kind of a double-digit growth. So, the net we are talking about is high single-digit growth.

Gagan: Yeah. And final question from my side: one of your slides showed the operating margins initially coming down and then over the next three to four years, you aspired to take them up to 25 odd percent, if I could eyeball it correctly. So, what are the levers for you to be able to take your margins up once you've sort of digested and encountered the impact of the revised NLEM?

Juby: So, two, three things. One is the NLEM is once in a five-year impact, right? Then you'll keep having this WPI as well as the normal price increase. So that is one major factor that will help us improve our margin. Second is a promoted category, which is relatively high margin business because that's going to grow high double digit or double-digit growth. That's also helping us improve the margin. Last but not least, the cost-saving initiatives that we are working on are also going to help us improve our margins.

Gagan: Final question. Why is it that you have two SKUs in paracetamol, which are Crocin and Calpol, and Crocin is with your other entity, which is consumer health? Essentially, they are both the same product. It could have been captured very easily by the listed entity. What's the difference between Crocin and Calpol for you? These are the two questions.

Bhushan: I think I'll take that question. First and foremost, as I said earlier, we are two separate legally listed entities. So, there is absolutely no connection between Calpol and Crocin. Crocin continues to be a trademark owned by Haleon, as that company is now called. So, there is no correlation. But if you were to look at the IQVIA data, I won't hazard a guess in terms of their size, but we continue to be the number one paracetamol brand when it comes to not just paracetamol, but if you look at all the prescriptions that are written in India across all categories and across all brands. The number one prescribed brand in India is Calpol.

Gagan: Sorry to have interrupted. My question is: what was the rationale behind putting one paracetamol brand in a consumer entity and one paracetamol brand in a listed entity? I mean, in this entity, which is an Rx entity? Logically speaking, either it is a consumer brand, or it is a Rx brand. Which means that either the whole package should be with you or the whole package should be with them. Why is it split up?

Bhushan: Yeah, it's a good question, but I think we have to go back to history because this was a brand originally owned by a company called Duphar, as some of you might know, and it was divested by that company and then picked up by SmithKline and then it went to the consumer business. There's a long history, but that's the reason why it stayed there, whereas Calpol remained anchored in ethical promotion. So, it's sort of brand that you will see in the public media being advertised. So, we are clearly rooted around ethical prescriptions, whereas the route that I think that company took was more leaning towards the OTC space. But again, as I said, you'll have to go back and see the history of how that brand had moved from Duphar.

Gagan: And likewise, what was the rationale for that. Absolutely. Yeah, that's true. Okay, thank you.

Moderator: Hey, Gagan, I hope we've answered your questions. I don't know whether it's comprehensively as far as your mind goes, but i think you should tell us. You've been tracking GSK for a longer time, so we'll connect with you for answers sometime too. On the history of Calpol and Crocin. There is one more hand raised, Melroy, if you could just announce the name and unmute.

Melroy: Nikhil?

Nikhil: Yeah, hi.

Moderator: Nikhil. Hey, Nikhil.

Nikhil: Hi. Good evening. Am I audible?

Moderator: Yes. Hi. Yeah.

Nikhil: Hi, I'm Nikhil Upadhyay. Just three questions. One is a clarification for Juby. When you set this to 50 crores of NLEM impact, and if we build in the WPI price increase and volume increases, what I understand is that the impact - does that water down significantly, and considering the growth and the cost initiatives, the impact on the margins would have been much more normalised. So, when you say this 2-3%, do you consider the WPI price increase from April 23, which we will get, just a clarification?

Juby: Yeah, we counted that as well.

Nikhil: Okay, fine. Now, two questions: One is, if we look at, like in your presentation, you mentioned that from 23 to 25 or 26, you would like to grow in high single digits. But if we break down GSK's portfolio, there are three buckets. One is vaccines, one is speciality medicine, and one is general medicine. Now, both for vaccines and speciality products, if we look at your launches, these are more focused on meeting the unmet needs or to enhance penetration where there is a lower penetration of these products. So, in a way, intuitively, this part of the portfolio can grow at a higher single-digit, and it used to grow in the past before COVID on the general medicines. If we look at it, we've got brands where we've got significant market share, like, on an average in our focus brands, our average market share is beyond 30-40%. And that part of the portfolio is also grown in high single digit or high double digit. So, when you say over three to five years, the Company's growth rate of a high single digit, and if I look at the portfolio breakup, which looks like intuitively, can grow at a higher double digit, what part of the business is pulling this growth down?

Juby: Like someone asked you? So, the whole NLEM is sitting in the general medicine portfolio, right? So that is approximately 10% of the general medicine portfolio. Now, to grow in double digits or high single digits, the business has to grow in high double digits. Okay. So that is the pricing - the whole pricing element is pulling it down. There's nothing else we're expecting from our promoter brands other than to continue to grow by double digits. The pricing element will be offsetting it, bringing it to high single digit.

Nikhil: Okay. The end markets are still so if we look at the end market, say, for Augmentin or Ceftum or CCM, the addressable markets, are they still seeing healthy mid-single digit or high single digit growth? Because we've got a significant market share. So maybe increasing market share beyond some of the brands looks very difficult. So how do you see the end markets growing? And do you see how that can sustain healthy growth for us in the general medicine portfolio?

Juby: So let me just give you a flavour of what I'm talking about. So, if we talk about Ceftum, which is one of the biggest impacted NLEM products, the price cut we are going to see is roughly 60%. The price is still at 60%, which means our price is going to be so low that the price volume play will play. So, what will happen is that there are a lot of patients or a lot of doctors who are not able to prescribe because of the high price of that product will now start prescribing. So, we mapped it out very clearly how to play this one. So, we believe some of the factors, particularly when the price becomes much more accessible, will help access the lower end of the pyramid. And that is what we are seeing in other products, also like Augmentin. So, it's the same analogue which we have used as we were building up all this forecast and we have seen that in the past also when the NLEM impact has been significant. So, the volume will definitely be there. There's a market share gain that will be there, as well as for the doctors who are using generics. There will be a shift. Some part of that will be from that, and some part will be from the market building that also will be happening. The category will also be expanding as the price dynamics change in the category. So, it's a function of all those things, but we'll be expecting to see that.

Nikhil: Okay, fine. And just one last question. Now, what we've seen is that there is a constant change in the management at the MD level. Like in the last ten years, there's been a fourth change that's happened. And as an outsider, what we see is that the new incoming is always trying to clear out the problems of the previous and by the time the problems get cleared, the management again changes. So, there is no continuity in terms of, say, a focus on how we have to grow and probably make the company stronger. And that's clearly visible in the earnings also of the companies that we are flat where we were. So, how does the parent look at this three to four years of change in the management? How is it driving the focus in terms of making the Company longer or larger over 5-10 years? Who is driving this whole idea of the Company over next five to ten years, where we want to be and how we have to be better than the market?

Bhushan: So probably I'll take a stab at that. It's a relevant question, a good question indeed. But as a listed company, as you must be aware, we are also having an NRC committee. We have a Board that's actively involved in terms of ensuring that there is leadership, and more importantly, leadership continuity in shaping and reshaping the organisation so that we can continue to leverage this incredible equity that GSK has enjoyed for the last century. Now, again, in a global organisation like ours, it is also quite likely that talent moves from geographies. I

mean, both of us have spent 12 years. But probably for Juby, this is the first job in India, although he's been with GSK for more than 14 years.
And for me, in these 12-13 years that I've been here, I've also had a chance to work outside for almost 5 years. So, the point I'm making is that it's also a function of when you operate in a global organisation, some of these choices of who has to move where are also driven by how the organisation is seeing the individual talent move.

Having said that, leadership continuity is absolutely critical. And that's why I think even moving forward, I can't predict, I don't have a crystal ball to gaze into and tell you. But clearly, in terms of our appointments also, I think the Board has been quite clear about ensuring that type of leadership continuity. More importantly, I think even when I look at my own example, I've been here for the last two years. I was a commercial cead for the general medicines business. So, one thing that you will not see happening is me cleaning anything because I was very much a part of the team running the pharma business before I got this job three months ago. But I think I don't have an answer which can directly tell you whether this is right or wrong. But I think in global organisations, this is part and parcel. But I think in terms of ensuring and showing leadership continuity, the organisation is fully aware of why we need to have that continuity moving forward. That's all I can say right now.

Nikhil: Thank you.

Moderator: Yeah, I think the Company secretary has a word to say.

Ajay: Just to add, the earlier one was for 2 years. Your appointment itself is for four years, if that's any indication.

Bhushan: I thought they wouldn't be knowing.

Moderator: So, we have Ajay, our Company Secretary, in the room. So, he says that the contract with Bhushan is for four years. If that's any indication of how things are, you know. Thank you, Ajay. We have two more hands raised. We'll take those two questions. One is from Rohan Samant, and the other is from Mr. Sameer Baisiwala. So, Rohan, your question.

Rohan: Yes, thanks for the opportunity. So, on the NLEM portfolio, where the price reduction would be effective mostly in FY24, the WPI-led price increase would be allowed in FY25. Is my understanding correct?

Juby: Yeah, I think WPI starts from April. It depends on government notification. Right. So NLEM will start. Some of the products started got implemented from January this year, some will start from next quarter. So, depending on the timing of implementation, this works. Okay, so theoretically WPI starts from April every year.

Rohan: Right. But let's say a product. Ah, that the price cap is implemented from, let's say, April 23 or May, the WPI would be applicable from April 24 onwards. Right? For those specific ones.

Juby: So, it depends on how the government is going to announce that price. Right? So, we're still waiting for the final pricing to come out. It could be how the government is going to notify that. It could be with WPI. Also, they could be notifying it. We don't have clarity at this point in time, but we have to wait and see how the prices are going to be notified.

Rohan: Sure. Okay, thanks.

Moderator: So, we go to Mr. Sameer Baisiwala. Hi, Sameer. Your question?

Sameer: Yes, thanks so much for a very insightful discussion. So, the question here is, how are you thinking about Shingrix pricing here in India?

Bhushan: Well, I mean, if you look at the global pricing, I will say in India, it's priceless. But on a serious note, obviously we will not. So, if you see what the pricing is in the global setting, it's significantly different. But coming to India, the reason I’m not giving you the price is because the brand will be launched next month, and let me say it is comparative, given the fact that it's an innovative vaccine that has 97% efficacy and is the first of its class non-live vaccine for Herpes Zoster, and it's fairly competitive.

Sameer: So, I asked this question

Bhushan: Just wait. For a few more weeks.

Sameer: Okay. I asked this question because I think it's priced at about USD 200 in the US - per dose, and two doses need to be taken. So that seems to be very prohibitive, even at a 30% pricing here for India. So therefore, you may not be able to realise a lot of value that we were discussing for last hour or so.

Bhushan: Yeah, it's a fair point, and I can assure you it's not the US price. I mean, in that sense, we will definitely have a comparative India price for our Indian subjects.

Sameer: Okay, great. And just one final one. You mentioned taking a 10% price increase through fiscal 2023, and I think the industry in general took 6 to 8%. So, what has been the response from the doctors in such a price-sensitive market? And what's the outlook for fiscal 2024? Because WPI seems to be in the 3 to 4% range. So, are we looking at a much lower price increase next fiscal year?

Juby: So, for WPI products, we can only take what the government notifies. So, we are not going to decide what price we're going to accept. Right? So last year, the government notified us it had a 10.7 or odd percentage. So we are taking it that it's a completely price-controlled portfolio, and it's completely up to the government to notify.

Bhushan: But on the non-control, obviously, in a calendar year, we have the opportunity.

Juby: We can take it. But that is, again, depending on the competitiveness of the product in the market.

Sameer: Thanks. Just going back on this, how has been the response by the doctors when you did take a 10% price increase through fiscal year 2023 and based on your estimation for next year's price controlled and non-controlled, the government notification of WPI is also based on what WPI has seen through these months, isn't it? So, just for the outlook of fiscal year 2024.

Bhushan: No, I think so. I mean, look, over the last 8-10 years, when you look at our portfolio, and all the assets that I had outlined in the general medicines portfolio, except for Ceftum, which was probably a statistical outlier, most of our brands have always been in a certain band. So, it's not that we have been comparatively so expensive that we have been out of the range. So, when we took the price hike also last year, I don't think it really made a material difference in terms of the elasticity. Physicians do understand. I'll give an example of Calpol, a pill that costs Rs. 2 per tablet. I mean, when you look at the cost of the raw material of paracetamol having tripled over the last 12-18 months, the price was still under Rs. 2 per pill. So, to that extent, even if you were to increase it by 10%, the materiality doesn't exist. So to that extent, I don't think to physicians really, given our portfolio, given the nature of our portfolio, it didn't really make a difference. And that's exactly the reason that Juby was saying earlier. We are absolutely confident that this cut that's going to happen on Ceftum is going to help us reshape the whole market. And Ceftum is a trust mark, so we are very confident that that's going to play out favourably for us in the coming fiscal and driving volumes.

Sameer: Okay, great. Thank you so much.

Moderator: Thank you, Sameer. Thank you. Bhushan, we have one last question from Bezad. Bezad? If you can ask your question, that's the last question for the day.

Bezad: Yeah. Am I audible?

Moderator: Yes, you are.

Bezad: So, three questions from my end. So, on the 6-in-1 vaccine which you've launched, do you have competition in the market?

Bhushan: So, Bezad. Yes, it's a fairly competitive segment. We do have competition, both from multinationals as well as Indian companies.

Bezad: Okay. And on the vaccine front, Synflorix is quite a meaningful product for you. And now, since it's in the NIP, how do you see the private market shaping up? And since you'll be facing competition. Do you expect this product to sustain?

Bhushan: So, look, very good questions here. And I'll just probably answer a part of your first question. So, in spite of that competition that I talked for six-in-one, we still have market leadership position in the hexavalent category. So, we still have more than 50% market share, actually 60% in hexavalent, as we speak.

Coming to the PCV category. Yes, over the last 12 years, we've retained our leadership. As you rightly said, part of that business has started going towards NIP, now we have new players even

in the private segment. But I think that's exactly the reason why companies like ours are continuing to invest. So, if you're following our vaccine strategy globally, we just acquired a company called Affinivax, globally.
So that's going to be the first 24 valent vaccine for pneumonia. And pneumonia will continue to be one of the most important vaccine preventable diseases for consideration. So as a strategic imperative, this antigen continues to be important for us. This area of pneumonia continues to be important for us, even moving forward.

Moderator: Okay, great. So, thank you, Bezad, you have one more question. Bezad? Hi, Bezad?

Bezad: Yes, I do. And what percentage of your raw materials are imported, and in what currency do you trade in?

Juby: So, raw materials—the whole vaccine portfolio—are important because the vaccine portfolio 20% of our business is in the vaccine portfolio. The whole vaccine portfolio is imported. Other than that, hardly anything is imported. Less than 5% are imported products. So, 97% of our pharma business is from local sources.

Bezad: Okay, thank you very much and thanks for the opportunity.

Moderator: Thank you. So, with that, we call it a close. Thank you, everyone, for joining online, and especially all of you who came here. Do join us for snacks. For those of you present here, thank you very much. We can now close the call, Melroy. Thank you.

Bhushan: Thank you very much, everyone. Thank you.
