



“GlaxoSmithKline Pharmaceuticals Limited Analysts
Call”

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**MANAGEMENT: MR. BHUSHAN AKSHIKAR - MANAGING DIRECTOR,
GLAXOSMITHKLINE PHARMACEUTICALS LIMITED
MR. JUBY CHANDY – CHIEF FINANCIAL OFFICER,
GLAXOSMITHKLINE PHARMACEUTICALS LIMITED**



Moderator: Good evening, everyone. We are on the dot of four. For the benefit of others, we will give them another minute or so, and we will start at 4:01, since some of them have registered, but possibly they will take some time to join. In the room, I have Bhushan and Juby, who will be speaking to you. We will start at 4:01. So, kindly bear with us. Thank you.

Good evening, everyone, and a warm welcome from GlaxoSmithKline Pharmaceuticals Limited. We are speaking to you here from our Worli office. And in the room, we have our Managing Director, Bhushan and our CFO, Juby.

So, before we begin, and before I hand over to Bhushan, I just wanted to kind of give a bit of a short introduction.

Bhushan has been with GSK now for over 13 years in key leadership roles across India, Middle East, Russia, CIS and the Africa region. Before joining GlaxoSmithKline, Bhushan has spent 15 years with Janssen, Johnson & Johnson in local and regional positions in India, South Korea and Belgium.

Also in the room, I have Juby. Juby has a successful track record of over 16 years in key leadership roles in GSK across India, Singapore, Southeast Asia, Vietnam, Turkey and the Middle East.

With that, I will now hand it over to Bhushan.

Bhushan Akshikar: Thank you very much, Ransom. Very, very good afternoon. Good evening to everyone. So, the intent of this meeting is twofold. One, not sure how many of the investor community was available the last time Juby and I had investor meetings. But, there are a couple of objectives for this meeting.

One is we have just announced the results, but clearly stemming from what we have announced, it's clearly one of the most important quarters that we have seen behind us. And I wanted to set the context of what we have undertaken as an organization. But more importantly, reset and re-contextualize where we operate as a company.

So, for many of you who may be aware in the pharmaceutical space, GSK continues to be among the foremost multinational pharmaceutical companies, still among the top 12, top 13 companies in the Indian pharma market, one of the few broadly diversified healthcare companies straddling across prevention in the form of vaccines. Of course, having a large presence in primary care, what we call a general medicines area. And now getting into newer areas like adult immunization.

The reason, I said that Q3 was one of the most significant quarter for us is because of the transformation that we are bringing about in our general medicines business unit. As probably



you are aware, it's one of the most enduring, one of the most endearing parts of our business with large brands, brands that are synonymous with what we do as GlaxoSmithKline in India.

But most importantly, given the changing landscape, given the need to unlock value, we have really relooked at our current operating model to have six to seven teams operating with different set of brands and portfolios. We moved to an objective prescriber centric sales model. The whole intent is to reduce the overlap, but yet not compromise on the reach so that we are able to reach and connect with the healthcare practitioners.

Most importantly, we are trying to redraw the strategy in terms of our reach and coverage for healthcare practitioners based out of tier two to tier four markets. So, we used to have three and four reps going to the same physician, carrying different set of products. We are trying to bring leverage some synergy there.

Essentially, what this unlock means is, we are trying to accelerate the digital transformation within this large business unit using more of digital touchpoints, using more of the omni-channel ways of working as we had announced in our press release as well earlier.

What it means is we have now put together a very clearly articulated vision around what that digital transformation will mean so that we don't compromise on our healthcare practitioner coverage. We are able to expand and reach out to physicians and practitioners beyond what our reps do. But most importantly, really integrate seamlessly our face-to-face interactions with all the digital ways of connecting with these healthcare practitioners.

So, over the last couple of years, we have been working seriously in terms of creating personas, connecting the channel preferences of individual N is equal to 1 HCPs for their need to be connected through either emailers or WhatsApp channels. So, different channels and different touch points will get seamlessly integrated with the face-to-face interaction.

So, that's the massive unlock that we have. The idea is to continue to enhance our engagement with our healthcare practitioners, but more importantly, unlock value so that we can focus on our growth areas. What it will help us do is resource our brands, which are more growth oriented, better than what we have done in the past and more importantly, improve productivity.

What this will also allow us to do is focus and release some resources to set up and scale up our presence in respiratory. As many of you may be aware, we have two innovative assets, Trelegy and Nucala.

So, clearly, given the fact that the future portfolio is also aligned in this area, how do we ensure that we deepen our coverage and continue to build our presence in the respiratory space. So, that's the major unlock that we have had, which has also made us take some decisions around releasing people and announcing the VRS that we did in Q3. So, that's one part of the business.



Last time when I spoke, I talked about the need to really build the new adult vaccination space. As many of you may be aware, globally for GSK, we just announced our results for the past year. And the number one brand, the number one asset for GSK globally is Shingrix, one of the most innovative vaccines and that's something that we launched last year in the month of April/May. And the idea is to really create an adult vaccination ecosystem.

As you would imagine, this is really an endurance sport in the sense of the kind of unlock that can happen, given the fact that we have more than 60 million Indians in our population who can potentially benefit. But even if you were to screen the number of potential target addressable segments, we are talking of almost 10 to 12 million Indians who can benefit with this extremely innovative vaccine.

Just to give you a quick sense of where we are with the progress on creating this adult immunization space with the prevention of shingles, with this innovative vaccine, we are working very hard with the HCP segments, essentially creating a whole vaccine ecosystem, which currently doesn't exist for adults especially. So, whether it is connecting with individual HCPs or creating ecosystems within hospitals or with partners, really having that adult vaccination space built is a major task.

The other one is, as you must have seen, we are also continuing to invest in educating our consumers around driving awareness around the pain and the debilitating pain that is caused by shingles. So, I think, from our zero base, we almost have an awareness of 22-23% where consumers are now aware about what shingles is and what the resultant pain.

But most importantly, I think we have been building partnerships with significant healthcare players to develop this category. As you would imagine, the future portfolio of GSK globally is also aligned in terms of the next adult vaccines, which we have in the global pipeline. So, this is where the next unlock is in terms of really creating this adult vaccination category. Can we move Ambuja, to the next slide...

A quick snapshot of what that performance was, so before we come to the financials, something that I want to restate is the Q3 was externally a very competitive and favorable quarter for us. Although the numbers don't reflect that, I think when you look at the comparative figures from IQVIA, which is the syndicated research agency, you look at our evolution index both on volumes, we are significantly ahead of the market for all our key assets that you can see on the right side of the chart.

So, we maintain our leadership. Not just that we actually improved our market share for all our key brands across the category. It's just that the base effect from Q3 of last year, which was 2022, is something that has not allowed us to deliver the kind of growth that we were expecting.

So, really, there's a base effect playing there. But more importantly, the General Medicines portfolio as well as the Pediatric Vaccines portfolio, as you will see in the financial slides, we



have actually got a 10% growth on the vaccines business for Q3 led by most of the assets. Of course, Shingrix continues to grow and do well month after month. But our base business of Pediatric Vaccines led by some of the assets that you see on that chart have helped us consolidate and defend our market leadership is almost 24% market share in the private self-paid Pediatric Vaccine market.

So, those are some of the top line highlights for us for Q3 and I will allow Juby to spend some time on the financials before we open up the session for questions.

Juby Chandy:

So, I would like to take two slides and provide some context to the financials we reported. So, we reported 1% growth, 805 crores for the quarter. And if you see that 1% growth, earlier this year, if you remember, we have updated you that there is a huge NLEM impact on our top line, which is 8% top line impact. And as we speak, we have mitigated almost 90% through price increases from WPI, efficiencies and our volume strategy.

All our key brands are growing with top brands like Cefum, T-Bact, and Calpol growing 7% on volume and that's helping to offset that massive 8% NLEM impact. Vaccines have returned to growth almost 12% growth backed by Shingrix as well as other base vaccines. Now 1% quarter growth it's on a flat represented external market, our volume growth is helping us to offset all this NLEM impact.

That's on the top line. That's the flavor of the top line. And if you see the EBITDA margins, it's 27% and all these NLEM would have a big impact on the EBITDA margins. As we speak, we have mitigated almost all the impact on that EBITDA. We are talking about 150 basis point year-on-year gap and we expect that also will be mitigated in the coming quarter.

So, our initiatives on SG&A, our margin improvement initiatives, cost savings, the VRS you have seen which is going to help in the coming quarters as well as other restructuring has helped us to mitigate all this impact and as we speak, we are having a very healthy cash flow and working capital improvement we have seen in the quarter.

Profit after tax 45 crore and if you see that profit after tax, there is a one-off exceptional item of VRS of 163 crore reported during the quarter. This is on account of the people who have left the company on VRS initiatives, which we have rolled out in the quarter.

So, this is the year-to-date results. 3% growth. Very similar trends. You can see the 8% NLEM impact, which has been offset by the volume increase on all our top brands. Vaccines, again, is growing 7% led by the base vaccines and Shingrix. All our top brands are maintaining market share and leadership in the market.

EBITDA margins flat despite the NLEM impact. We have mitigated almost all the impact from the NLEM for the year-to-date. 2% growth versus last year on the margin improvements mainly from the efficiencies and all the new investments we are reallocating from the old



investments. So, continued investment in the new assets will be reallocated from the existing resources.

We are very careful on our EBITDA margins. We are working very hard to maintain the EBITDA margins as well as improve driving efficiency. So, our cash flow and working capital remains very healthy. For year-to-date also the same one-off VRS impact is flowing through in our year-to-date.

So, that's the broad summary of our financials. I covered the top line EBITDA impact as well as the one-off. So, over to you, Bhushan.

Bhushan Akshikar:

So, again, this is not a forward-looking guidance, but as I said in the last two investor meetings, for a company that will be celebrating 100 years of operations in India, 1924 was the year when we set up GSK's presence and operations in India, so 2024 is a year of our Centenary celebrations of 100 years of operations in India.

So, when I look at the next 3 to 5 years for our organization, the ambition is clearly to deliver double digit growth and that doesn't change in the short to medium term. That's something that we have remained cued to and the idea is some of our brands really touch the lives of millions. So, some of our brands which really play a big role in the primary care setting, so the idea is to continue to grow double digits and more importantly touch the lives of a billion people in India, billion Indians over the next 3 to 5 years.

And how are we going to do that? As I said, Shingrix continues to be one of the most important platforms of growth for us. So, that will become the frame of reference in terms of the innovative assets that we will continue to launch in India. But most importantly, continue to build and defend our competitive performance profitably in the core business which is both Gen Meds and our base vaccine business. And of course, all else have the right people who will continue to help us do this and deliver value for our patients, healthcare practitioners and of course shareholders in this country.

So, that's the quick summary of what we wanted to share this afternoon. So, I think we will open it up for questions.

Moderator:

Yes. Thank you, Bhushan, and thank you, Juby. So, everyone on the call, we are now opening up for questions and the format is that you will need to raise your hand in case you need to ask a question. And the operator will then allow you to speak and ask your question. You can also feel free to put your video on. If not, just your audio is fine. For those of you who don't want to ask a question but would like to make a comment, kindly do so in the chat section, which is also available. A request, kindly keep your question brief. So, we have a question coming from Anupam Agarwal. How many people did we lay off in our current MR count? Okay. So, that's the first question. Maybe we can wait for somebody to ask a question online first and then go to that. Anyone wants to ask a question online? Yes. So, we have Mr. Ravi Purohit. Hi, Ravi. Team, can you kindly unmute Ravi. Go ahead. Can you unmute Ravi?

Ravi Purohit:

Thanks a lot for doing this Analysts' Meet. So, Mr. Bhushan, I have a couple of questions. I think in your annual report, the first message as the MD of this company, you have mentioned about this double-digit sales growth target. You have again reiterated that today in the presentation. If you look at our company's history over the last 10 years, there has not been a single year when we have experienced double-digit sales growth. So, you know, it's great to hear this, right? And we are already like shareholders of our company.

But if you could just elaborate a little bit, what is the path that will result in us kind of getting this double-digit sales growth? What are the things, what are the steps that we are doing? And we already had brands, but we had these brands earlier as well, right? So, what is changing now? And what are the changes that you are bringing in? Is it going to be new product launches? Is it going to be existing products? Is it going to be existing products reaching a wider customer base? So, if you could add some more color to this ambition of growing double digit, right? Because Glaxo has not done that in a long, long time when practically all investors have forgotten that Glaxo could actually grow, right? So, it would be great if you could change that perspective and give us some insight into that.

And my second question is on the vaccines that I think you have mentioned a lot in our presentation as well as in our annual report about vaccines. But vaccines essentially is a traded good for us, right? We import from Europe. How does a faster growing vaccines portfolio affect our margins in the long term? Because we also mentioned about maintaining or improving our margins. So, can the two coexist? Those are my two questions. Thank you.

Bhushan Akshikar:

Thank you very much, Mr. Purohit. As always, I love those questions, both of them. The first question, yes, I think that it's not only a statement of intent. And I think when you look at the three building blocks as to why we believe we can deliver this double-digit growth as a team, it's clearly hinging around two or three things.

First and foremost, I think if you look at the choices, the strategic choices that we made about the therapy areas where we will invest and continue to remain relevant, those have been clear than ever before. And the reason I say that, if you look at the last two or three quarters and you compare the data with externally reported data points from syndicated research, all the brands that I just talked of, they have more than double-digit volume growth.

So, as you saw in Juby's financial deck, in spite of a significant NLEM impact that we had, and this was probably the most significant one, because if you see what got covered in the last NLEM were two assets which were hitherto never covered, namely, i.e. Cefum and T-Bact.

Now, moving forward, if you look at the next five years, we have a range of brands now with a certain portfolio which is covered under price control. We don't see these kind of seismic events happening every two years, every four years. So, I think the impact has now been mitigated over the next four years when we see, we are pretty much in a range.

So, I think what we have done now, unlocking value with the omni-channel allows us to help unlock some value on the SG&A, especially the wage bill. So, that partly answers your second question about how are we confident of remaining focused on delivering that margin. And that's one of the reasons why we are trying to do more through the digital transformation route.

But your first question about the growth strategy and the intent, I think first is based in this country, we cannot wish away the importance of the enduring nature of our general medicines and our vaccines portfolio. Yes, it's a traded business in terms of the margins, but when you look at the kind of lives and the volumes that we can impact, I think there's a significant untapped opportunity for us. So, those two coupled with the fact that you now have a slew of innovative assets kicking off with Shingrix, we are looking at ongoing trials happening for our next group of assets from the innovation portfolio which will help us unlock that value.

So, the answer is clearly doing a lot more competitively in our base business and we have seen that in the last two or three quarters. And more importantly, helping us drive this completely new space in the form of adult immunization with a new asset, innovative asset like Shingrix. So, those would really help us deliver this double-digit growth. I don't know if Juby, if you want to add something on the second point of margins.

Juby Chandy:

So, I think the only other point I want to add on the second point of margin is vaccine is almost 18% of our total business of our entity. And vaccine growing doesn't dilute the total margin because it is still very small portion of the business, and we are growing other business, which is general medicines also in line with or above vaccines growth. So, our intention is not to have a lower growth in general medicines. General medicines also will grow equally at the same pace of vaccines and the ratio might slightly change, but overall it's not going to be diluted.

And again, on the margin front, all these initiatives what we are doing, we are trying to improve the efficiencies inside the organization, whether it is the medical rep contribution per medical rep or the efficiencies per medical rep as well as spend, the marketing mix, everything we are looking into. So, as long as we grow our General Medicines with a profitable growth pattern, right investments, the margins will not be getting diluted.

And if you are tracking GSK for the last 5 years or 6 years, we have gone from 18%, 19% EBITDA margins to 20%, 26% margin. And despite such a massive NLEM, we are holding to that even this quarter, right? So, margin improvement remains a core priority for us. We are looking into that very closely and right allocation, improvement of the efficiencies of the field force, as well as growing both the pillars of the business right sized is not going to be diluting us.

Moderator:

Thank you, Juby. We will move on to the next question. Anybody wants to ask a question, kindly raise your hand?

Juby Chandy:

Mr. Agarwal had asked that question around how many people did we let go of?

Bhushan Akshikar: So, I can quantify that in a range. We let go of about 12%, 13%. Remember, we are also reinvesting. So, as I said, Trelegy and Nucala are two brands which really reflect the future in the respiratory business. If you see the kind of growth that we are seeing in single inhalation triple therapy, which is the SITT category, is the fastest growing category. Almost on a monthly basis that category is adding 10 crores.

So, clearly, that's an area where we want to continue investing because globally if you see, Trelegy is a £2 billion asset for us. It's one of the biggest brands, some of the top three brands of GSK globally. And given that innovation, we have now resourced that team even more. So, we have redeployed some of our resources so that we can do much more in these innovative assets. As I said, some of the newer assets that we have are also in the respiratory area in the coming years. So, it's important that we remain committed, and we continue to have that significant foothold and presence in the respiratory area.

Last but not the least is, if you have seen our global results, we have launched an extremely innovative asset called Arexvy (RSV) in some parts of the world, especially in the U.S. last year and it's one of the most innovative and the fastest billion-pound asset for us globally. I think in a matter of a few months, it's clocked a billion pounds in the U.S. and that again plays out in the area of respiratory. So, clearly, we want to build that beachhead and that's the reason why we redeployed. But Mr. Agarwal, to answer your question very specifically, it's about 12% of our total headcount in sales which took up the VRS.

Moderator: Do we have any other questions coming in?

Operator: Hello, Mr. Viraj. You can proceed with your question.

Viraj: Sir, I would like to have your opinion on the RSV vaccine and the parent is launching a lot of new drugs also.

Bhushan Akshikar: Sorry, I didn't get the question.

Moderator: The ending was not very clear, Mr. Viraj.

Juby Chandy: He is saying RSV vaccine, and the parent is launching a lot of new products.

Bhushan Akshikar: So, as you know, our regulatory requirements require clinical trials. So, obviously, as a global corporation, we have almost 18 clinical trials happening for our global assets in India. We are pursuing each of these opportunities one by one. So, the intent is to crunch the timelines and accelerate our regulatory pathways in India so that we can have faster launches. But the only difference is in spite of many of our products being available globally, we still have to do clinical trials given the nature of the regulatory requirements. So, the idea is to get access to all those innovative assets even in India.

Viraj: Sir, which one would be faster we launch which are in the phase of trials especially for Indian market?

Bhushan Akshikar: So, in terms of an access strategy, we still have the oncology portfolio. We still have RSV. We have some new assets in the area of hepatology. So, those are a few ones where we clearly have, India is on the global clinical map. So, the idea is to conduct those clinical trials in India and of course use the data for registration. So, with that intent, spread over the next two-and-a-half, three years, we see many of these innovative assets also being included on the Indian access strategy.

Viraj: And sir would you like to give guidance for next year?

Bhushan Akshikar: I am sorry. I would love to have answered that question, but I wouldn't. I think we will have this similar meeting after our Q4 results.

Moderator: So, any more questions, kindly raise your hand and the administrator will permit you to ask the question. Please go ahead.

Operator: Hello, Mr. Nikhil.

Nikhil: Continuing with the question on double-digit growth, what I wanted to understand is if we look at, if we divide our portfolio, there are three parts. One is the new businesses or the new products which we will be launching, and in many of these products we have to do the category creation work, like in adult vaccines or in the respiratory, the new products which we have launched. So, maybe they can grow it on a small base faster, but a large part of the growth has to come from the existing top 20 focus brands.

And from our presentation itself, over last three years, what we have seen is that these brands on a volume term have grown at 6% to 8% range. So, when we talk about growing double digit, where do you see a large potential? Like, something has to grow at 15%, 20% which is meaningful. So, is it like vaccines you believe can grow at 15%, 20%? Or do you believe the top 20 products where volume growth has been around 7%, 8%, we can accelerate the growth there? And in order to do that, how does this omni-channel strategy work there?

Bhushan Akshikar: Absolutely, it's a brilliant question. Thank you, Mr. Nikhil. So, even if you were to look at the last three quarters right from Q1 to Q3, barring the aberration that we saw in Q3 because of the base effect, but if you look at the sheer volumes that we have driven for many of the assets that you talked of, both in general medicines and in our base vaccine business, it's been in double digits.

So, if you see a volume growth even for a brand like Augmentin, it's been in double digits for the first three quarters. If you look at a brand like Ceftum, which was impacted on the pricing front by almost, you know, 40%, 50%, our volume growth is in excess of 90%.

So, the whole idea is to ensure that the omni-channel strategy allows us to unlock value and I think a large chunk of our efforts are to ensure that healthcare practitioners who are not, you know, they are equally connected and affected in the form of what's happening in the digital transformation world, how can GSK be at the forefront in really integrating all those touch points that we have? Because we have the science. We have the connections. We have the foundation of good science. How do you ensure that a large part of this is further able to fuel, you know, the kind of work that we are doing?

To give an example, we are doing some work along with healthcare organizations in creating the first ever India Infection Index, which kind of tells every healthcare practitioner in his or her zip code or pin code, what is the prevalence of particular diseases. More importantly, which antibiotics are susceptible, so that he or she can make the right choice. And this is all tech led, and that's exactly what we are delivering to the healthcare practitioners at n is equal to 1. And that's what is helping us drive the volume.

So, to answer going back to your question, this double-digit ambition is coming from primarily unlocking value through some scientific activities that we have thought through, but more importantly, leading it with a strong volume emphasis. So, that's something that is clearly articulated over the next three years.

Nikhil: Just two more questions. One is on vaccines. Just while our presentation says that the underlying growth has improved, but they only reported sales to sales. Year-on-year, are we flat for the nine months or is there still a de-growth?

Bhushan Akshikar: So, vaccines, for the nine months, it's a 9% growth is the reported growth. Also got one vaccine which is perhaps discontinued Infanrix plain vaccine, not the Infanrix-hexa vaccine. There are two Infanrix. One is plain and Hexa. Hexa is one of the biggest one which is still there. There is a plain vaccine which has been phased out. So, excluding that, it is 12%. And otherwise, reported growth is 9%.

Nikhil: Last question. See, I think for last three years, what we have seen is that, at the, so I think if we look at our first presentation, we had mentioned two goals. One was margin improvement and other was growth. On the margin side, I think we should congratulate you that we have been able to do a good job that even though NLEM impact and everything was there, margins have sustained. Incrementally, the efforts which we have taken and in our previous presentation, Juby had given a trajectory that the margins can keep going up year-on-year. But in order to grow or achieve that double-digit growth, would you say that are you okay with compensating some of the margins and pushing more on the growth side? How are you thinking about this over the next three years in terms of growth versus improving margin or sustain? Sustainance is possible but improving margin versus growth?

Juby Chandy: So, like on margin side, as you rightly said, we are tracking fine particularly on year-to-date, and a couple of our initiatives are going to play out more also in the coming quarters. Like the

VRS which we instituted in the last month of the quarter, December, it will further improve a little bit margins in the coming quarter as well.

Now the way we are seeing it is, if you see the last slide or the slide which is on the screen, we want to drive growth with profitable growth. It is not either way. We want to grow as well as we would want to maintain the profitability. So, it is not either way. So, wherever there are opportunities, we are prioritizing that. We will reallocate our investments. We have many assets to reallocate investments, and that's how we are doing that. So, we have mechanism to closely track the return on investments on our assets which we are doing on a regular basis, and whenever there is a need to invest in new assets like RSV, like Shingrix, like any other assets coming, we will try to prioritize where it matters in terms of growth and margin. So, yes, it's a bit of a balance we are doing. It's not diluting the margins and driving the growth. It's balancing out properly here.

Gopal:

Yes, thank you so much. So, just two questions. One is on the Ceftum and T-Bact. If you could just explain us the impact that you have taken if the NLEM price cut the sales to 100, what was the impact on the prices? And what has the corresponding offset by volumes? And where would the 100 stand today?

Juby Chandy:

I think Ceftum, to be precise, had a 57% drop on the price. So, it is one of the biggest NLEM-impacted product after a long time. So, its prices used to be higher compared with the Generics and it is one of the biggest impacted product. T-Bact has got two SKUs, but on an average, it is roughly 30% price cut. Ceftum volumes have almost doubled, close to 85%, 90%. T-Bact, I think that decrease in price is not to that extent to double the volume, but T-Bact also has got close to 10% volume growth in the quarter.

Now, I think one thing we need to be clear on this quarter is last year same time, Bhushan has touched upon that, last year same quarter had an infection outbreak. So, external market has been flat or negative 1% growth in the previous slide, if you have observed that. So, this growth on this quarter is from a very large skewed higher base last year quarter.

So, growth has been slightly softened in the reported basis because of the last year base is quite higher because of the infection. And remember most of our products, bigger products are on antibiotics and when infection spikes in one year and next year if the infection normalizes, we will see that base impact playing out. So, that is also playing out there.

But to answer your question, both Ceftum and T-Bact had a massive price decrease on NLEM. Partially, our majority has been offset by the volume increases. That is why we are not seeing the value decrease in a negative territory despite a flat quarter, despite such a huge NLEM impact we had taken.

Gopal:

So, with the value proposition you expect like in FY '25 also that we will be seeing strong volume growth in these two brands given price is much attractive for the customer?

Juby Chandy: So, the base has got corrected in the last two quarters. It might still continue to grow but not like 80% growth which we have seen in the last two quarters quarter-on-quarter, but the base has corrected a lot. It is still we are seeing volume growth on Ceftum and T-Bact both. So, the trajectory will continue for one or two more quarters. Then the base will get corrected completely. And that is one area.

Also, if you have seen in the Slide 1, we were trying to reallocate a field force into tier 2, tier 3. So, where we have no coverage or where we have no productivity, we are working on that to expand our coverage not only through field force, but also through omni-channel. So, omni-channel also will play a role to expand our coverage and reach to get the best of these medicines to the patients who need it.

Gopal: My second question was, would you give a broader break-up of the business you used to give like general medicines and vaccines, and within general medicines you have promoted the other products for the 9 months?

Juby Chandy: So, we normally don't share the breakup by product in any of our previous things. So, I will still try to maintain that format, but 80% of our products are promoted.

Gopal: And lastly, are there any non-core assets in the business which you would capitalize for in the next or monetize in the forthcoming period?

Juby Chandy: So, we have some assets, tail assets which are not promoted, but it is having no different treatment than any other assets, so which we will only do omni-channel approach, nothing else. It is not held for sale or nothing of that kind of classification. It is a normal asset. It is just that it is not promoted with field force in the ground. So, we are just using omni-channel and doing it. As of now, nothing is earmarked for sale or nothing of that sort. It is business as usual for us.

Moderator: So, we have a question on the size of the pool for Nucala and Trelegy for you. The size of the pool.

Bhushan Akshikar: Yes, I saw that. So, again remember something Nucala and Trelegy do not operate in the same sphere. One is promoted for severe, so Nucala is promoted and indicated for severe eosinophilic asthma, whereas Trelegy is indicated for chronic obstructive pulmonary disease or COPD. So, they do not necessarily operate in the same space. That's point number one.

But more importantly, both the therapies especially Nucala being a monoclonal antibody, it's one of the most remarkable assets for treatment of severe asthma. And if you see how patients progress, if they are not controlled, you know, from oral corticosteroids to inhalers to then moving on to monoclonal antibodies, there is a certain customer journey or patient journey that a patient undertakes. So, it would be improper or incorrect to take a look at the entire oral corticosteroid market or inhaler market and say that this is the target potential market for us.



But there are patients who remain uncontrolled. So, as we speak, every month we are adding 100, 150 new patients. Remember this is an expensive treatment. This is not a reimbursement category. So, every year we are adding about 1,000 patients who stabilize and get treated with Nucala.

So, I wouldn't hazard a guess in terms of the exact numbers, but clearly, asthma being a large segment for us, the patients who remain uncontrolled and therefore progress to requiring the higher treatments like Nucala is only increasing. Given the air quality index, given the pollution levels, we are certainly seeing increasing patterns for the usage and number of more patients coming on for treatment with innovative treatments like Nucala.

Trelegy is, again, a similar example. Although it is indicated for COPD, the patient pool remains the same in terms of patients who first start off with oral corticosteroids. When they remain uncontrolled, they move to inhalers, and they use multiple inhalers. In Trelegy or the class of treatment that Trelegy belongs to, which is called Single Inhalation Triple Therapy, SITT, this oblates the need to use multiple inhalers or multiple oral and inhaler treatment, combination of both. So, this is where the maximum growth has been seen in the respiratory.

So, again, to answer your question, it is difficult to quantify and give you exact number because both operate in different segments. But increasingly over the next 3 years, this is where most of the growth will be in terms of therapy areas.

Operator: Mr. Agarwal, can you hear us?

Agarwal: Sir, can you give a timeline of your trials that you mentioned about your assets in the Indian market, your tentative timelines for trials and launches?

Bhushan Akshikar: Again, remember this is the regulatory trials. I can't really put it because there are steps, there are Subject Expert Committee meetings that happen, which therefore give us the green flag in terms of the next step. But I think spread over the next 18 months, we have trials ongoing for, as I said, for RSV, for our assets in hepatology. We also have, of course, both the trials on our oncology assets are already done. But these are the three broad areas where we currently have trials which have visibility. Of course, most of the data is available on the public domain. So, if you look at the regulatory databases, you will find most of the data published there.

Agarwal: So, next two years if I have to see your launches, how many products are we looking to launch?

Bhushan Akshikar: As I said, I won't hazard a guess and give you the exact number. But clearly, the whole idea is, when you see that first point on that slide, the idea is we have already launched Shingrix. How do we ensure that most of our innovative assets are available in this country on the back of what we have done with Shingrix?



Agarwal: Right. A second question on Shingrix. It's been about 10, 11 months now to launch. How has been the traction month-on-month? And what are we clocking right now?

Bhushan Akshikar: So, just a minor correction. It's about, so we launched it in the month of May. May was the first month available to us for making Shingrix available in the market. And obviously, as I said, it's an endurance sport in a country where the vaccine ecosystem is still being developed by companies like ours. Month after month, we have seen a progression. So, again, when you look at the number of people who have taken both the jabs, probably, I wouldn't hazard a guess, but it would be in the range of, July, 30,000?

Juby Chandy: Yes.

Bhushan Akshikar: 30,000 patients who have taken both the jabs. But month after month we are seeing progression. That's how I would answer it.

Agarwal: On revenue basis how much are we doing, how much have we done in January or December?

Bhushan Akshikar: So, as I said, every month we have an improvement because remember, assets like Shingrix don't follow a linear curve. They follow typically an exponential curve and you could see that everywhere where we have launched it. So, if you are selling 2,000, 2,000 becomes 4,000 doses. 4,000 becomes 6,000 doses. So, now with every passing month we are talking about 7,000 to 8,000 doses being sold every month. So, that's how I would put it.

Agarwal: And as a thought process, when you had initially launched, are we on track in terms of delivery? Or are we...?

Bhushan Akshikar: So, as I said, when we do the annual meeting post our Q4, we will definitely share the full year numbers because that's exactly the time frame that we would have the annual sales. But I think, given a new category launch, given the fact that we are creating a new category with this launch, we are pretty much stacking in line with what we had set out. But as I said earlier, the ambition is huge because we have almost 12 million Indians who have the potential disposable income, who have the wherewithal in terms of access. So, every month, every quarter is only an upside as we look forward.

Agarwal: And just a data point. So, we have about 3,000 MRs right now?

Bhushan Akshikar: Across the company, no, I think that's exactly why I said we reduce our headcount by about 12%, 12 to 14%.

Agarwal: So, about 2500.

Bhushan Akshikar: Juby?

Juby Chandy: Yes, somewhere close to that.

Agarwal: And with the new portfolio coming in, in terms of oncology and respiratory and other assets, how much addition are we looking at?

Bhushan Akshikar: I mean, these are all super specialty portfolios, right? I mean, given the fact that a country of our size doesn't even have more than 500 medical oncologists. These are all lean teams, extremely efficient in terms of the specialty-selling model itself. So, I don't expect these teams to be large. They would still be under 40 to 50 headcount.

Agarwal: Just lastly, on your productivity per man, how much are we doing right now? And what is the headroom left for us to grow in terms of productivity?

Juby Chandy: So, let me take it. So, firstly, before answering that question, one clarification on the pipeline. We are doing clinical trials, but not all the products may not come to the market because at the end of the day, if the market, once we do the clinical trial, if it doesn't make sense for the market to get it into the market, either because of the profitable launch or if there is not enough patients to take that or there is no potential in this country to take that because it is different from developed countries versus some of the assets profile in the country. So, depending on all those things, the management and the Board will take that decision. That's how it happens.

Now, on your productivity, it used to be 8.5 lakhs per medical rep. It would go close to 20%, 25% up once we, you know, that is the kind of upside we are trying to see as we implement all this restructuring, VRS reallocation, new assets kicks in. That's the kind of peak productivity uptick we could see eventually over the period of 2, 3 years.

Agarwal: Lastly, have we broken even on Shingrix on EBITDA level?

Juby Chandy: Yes, it is a traded product. So, we don't make a loss at any time.

Bhushan Akshikar: Thank you very much, Mr. Agarwal. So, probably, I will take a couple of questions here. So, Julie has asked a question. Can you throw some light on the vaccine segment? We face significant challenges in terms of the volume and slow down due to NIP. How are you working on mitigating such business risks and volatility? What is the target revenue mix between genmed and vaccine in the coming times?

So, just to give you a quick flavor, we still have about 80% of our business coming from our General Medicines portfolio, whereas 20% is from vaccines. So, to that extent, we remain, you know, we can absorb those shocks given what we saw in volatility. But that doesn't take away the fact that we worked extremely hard as a team to come back to this double-digit growth on the vaccines front. We have revamped the whole strategy. So, yes, NIP did impact us for those few quarters that you saw the slowdown.

But if you look at each of our assets in the Pediatric Vaccine portfolio, they have a strong double-digit growth. More importantly, we have gained share. And that's largely because of



what we have done, not just in the first year, but also we have just launched a major consumer awareness campaign for immunization in the second year, which is the secondary vaccination.

So, we are opening up new segments where, you know, to mitigate some of the potential losses that we may have had in the past, given the NIP, we are seeing the comeback with the secondary vaccination campaigns that we have just launched. So, that's how we remain committed to ensuring that we defend and protect every single baby who can be vaccinated and from preventable diseases. So, that's the general sense.

I think I already answered Mr. Mohamud Patel's question around contribution of GenMed and vaccines. Mr. Samir Palod has asked me, can you provide us any color on the size of the potential market in India for some of the new drug launches?

So, as I said, as Juby talked about, so we have trials ongoing, as I said. Again, we have not reached a stage where I can quickly tell you. But, for example, one of the global assets is a molecule called Bepirovirsen, which is a potential cure for chronic Hep B.

Now, you can imagine in a country of our size, that can be a complete game changer. Now, obviously, we have not reached a stage where we have got all the green flags to say that we are good to go, but potentially those are the kind of assets that we are looking at. I wouldn't probably give you a size in terms of the market as of now.

For the oncology assets, the approvals that we have are limited. They are largely in ovarian and endometrial cancer. But again, you know, meaningful impact of what these assets can do. So, globally, we have three assets. We have Zejula, Jemperli and Blenrep, three assets in the oncology area. So, we are seeing how and what potential these assets may have in India.

Yes, Mr. Samir, I did talk of a functional cure for chronic Hep B.

Moderator: Any more questions?

Bhushan Akshikar: There is a question from Mr. Vishal Manchanda. Has Synflorix returned to growth? Or is it still declining? Well, it declined significantly for the first couple of quarters. The third quarter we have stabilized that decline. So, as I said, we have now opened up new segments in terms of secondary vaccination. So, clearly, we have arrested that decline, and as we close out the annual performance, we will definitely share with you the individual antigen results.

Juby Chandy: Now, I think Synflorix has declined quite a lot. It is now a very small portion of the total portfolio. So, it is still on declining territory, but it is not material at this point in time.

Moderator: Any more questions, Abbas? Anyone else who has raised their hand?

Operator: Yes. Hello, Mr. Kimani, can you hear us?

Kimani: Yes. Good evening, sir. Thank you for guidance, and I think great to see that Glaxo is getting into growth mode. Just a couple of questions. If you could share that as you grow in double digit, could it be also significantly margin accretive like Glaxo at one point in time was in the 31%, 32% kind of profit margin range? So, do you see as you grow significantly higher on volume, that trajectory also changing in couple of years' time? Number one.

And secondly, on the General Medicine side, you have spoken about, you know, so what are the other, I mean, is this a part of the general strategy to have more and more product coming through the Indian market from your global portfolio? Is it going to continue for in the times to come and what you give some more color on that?

Bhushan Akshikar: Should I take that, Juby or you want to take?

Juby Chandy: No, I can take it. I think you are talking about the 30% margin many years back because after that two or three rounds of NLEM came, and as we speak our portfolio, around 40% of our portfolio is pharma portfolio is on NLEM. So, which the price increase plays a big role in the margin, improvement in the margin. So, that is pretty much dependent on the WPA increase as you guys know.

The remaining 60% of the pharma portfolio, what we normally do is wherever there is an opportunity to price it rightly, optimize the pricing, we review it every year and take the right pricing to manage it. So, I don't want to comment on a forward-looking margin, but we are closely observing what's happening on the NLEM, where is the play for us to dial up the price. If there is an opportunity, we always take it. So, we have a system to do that every year and we are doing that.

So, that is one of the key aspects which we are doing in the last many years. We had 34% margin, but then we moved to around 16%, 17% margin. Now we come back to 26% or 27% margin, and that's where we are tracking, but wherever there is an opportunity to play on price, bring new assets at a higher price, we are doing that. That's one of the important levers to play on the margin.

Bhushan Akshikar: There were two parts to the question.

Juby Chandy: What was the second question, Vikas? Can you repeat?

Vikas: That I was asking what are the other major on the general medicine side from a global portfolio to bring to Indian markets and generally outlook for...

Bhushan Akshikar: So, Mr. Vikas, you know, one of the things that I keep saying is that there is a lot of innovation even in our General Medicines portfolio. So, for example, if you look at Augmentin as a classic case, we launched Augmentin ES which is a new formulation in the liquid side which has quickly notched up almost 10% of the overall revenue. I mean, if you think about a

standing start and creating a 50 crore SKU on an annual basis, it is still substantial given the high margins that we have for the GenMeds portfolio.

Another example is Calpol. For a category which is as commoditized as paracetamol, we not only continue to be remaining the number one brand in the pharmaceutical industry in prescriptions. So, Calpol is the number one prescribed brand in India across all categories. We have gone ahead, innovated and launched new versions with new technology, which allows faster dissolution. Both for Calpol 650 Plus as well as Calpol 500 Plus and launched those new versions. So, I think those kind of innovations will continue, and that's why I said the GenMed portfolio has enough and more to do. You will see a lot more line extensions and investments in some of those key brands in the coming 18, 24 months.

Vikas: There is one more add-on that when you talk about double-digit growth, this you talk about more in value terms or volume terms?

Bhushan Akshikar: I am talking value, clearly. That's why, as I said, the NLEM was an aberration for us and as many of you are aware, NLEM doesn't happen annually, thankfully. So, at least for the next four years we can clearly see. And now that we were most impacted, if you look at all the three versions of the NLEM, this was probably the worst. And I think somebody has asked, have you mitigated? We have mitigated almost 90% of the NLEM impact in spite of what happened in terms of the sheer size of the impact, and we don't see that happening every year now. So, that's why I said over the next three to five years, the intent will remain to grow by double digit in value, not volume, volume alone.

Mr. Purohit had asked one more question. Are you getting back into oncology? So, you had got out of oncology. You are absolutely right. It was a global decision in 2014. We had an asset swap arrangement with Novartis where we traded our onco portfolio with what we got in terms of consumer and some vaccines. Over the last three years, we have been rebuilding our muscles and getting back into oncology globally. So, most of these trials are happening in India as well in terms of registration. So, as I said, there are three assets globally, which are being launched in different parts of the world, Zejula, Jemperli and Blenrep. And obviously, trials are ongoing. We have to also see what's the fit between the types of cancers that we have here, the data, and of course the price point. But the answer is yes, oncology remains an area where we are getting back into.

Operator: Hello, Mr. Vishal. Can you ask?

Moderator: I think Mr. Vishal has posted a question.

Bhushan Akshikar: What is the volume growth you have seen in Nucala during the year?

Juby Chandy: Only Nucala is on a low base. Nucala has doubled the volume, 112% volume growth.



Bhushan Akshikar: I remember in one of the investor meetings somebody had asked me last time, why can't Nucala be a 50 crore brand? And I think we are exactly going in that direction. We should be, you know, that's the ambition is to start creating Centers of Excellence in terms of the specialized brands as well. So, that's why the growth is more than 100%, but on a small base. But as we close out the year and for our Q4, we will probably give you the exact value, but it's we are almost doubling these brands.

Vishal: Sir, this is Vishal. So, sir, on Nucala, a follow up. Can you share the annual cost of treatment? Just trying to understand the affordability challenge here.

Bhushan Akshikar: So, if you look at severe eosinophilic asthma, which is an extremely debilitating condition, the treatment cost for a patient is roughly around 60,000 rupees...

Juby Chandy: Per dose.

Bhushan Akshikar: Yes, per dose. It typically has the cost of treatment for a month and patients go on. So, we have patients who are also on treatment for 12 months. So, typically, HCPs give a break till the patient is remission free and then comes back. So, I can't really hazard a guess and say that you know this is the total cost of treatment for a lifetime because given the fact that most of the patients start responding, they do come back. They get off treatment maybe after 4 cycles, 6 cycles till they have another breakthrough and then they come back.

Vishal: And does it compete with drugs like Lebrikizumab and Omalizumab?

Bhushan Akshikar: Absolutely, yes. Yes, Mr. Vishal.

Vishal: Is it competitively priced to those assets?

Bhushan Akshikar: Yes, it is. It is competitively priced.

Vishal: And just a question on the traded portfolio. Would you be able to share some color on the margins there? How different it is from the manufactured products that you do?

Juby Chandy: So, we don't share margins by products. So, I don't want to start that a new practice here.

Vishal: The entire traded basket. So, just as a basket, not by a product level, but at a basket level.

Juby Chandy: We are not sharing product by margins in the past. So, we just maintain like that.

Bhushan Akshikar: Mr. Mohat Patel has asked, we understand that Shingrix would drive adult vaccination growth. Which key products would drive pediatric vaccination growth going forward? So, there are three or four products where we clearly see a strong double-digit potential and that's where we are putting all our energies. One is Infanrix Hexa, which is the hexavalent vaccine that prevents six preventable diseases. So, that's the mainstay of our pediatric portfolio. Flu

continues to be one of the major assets for us. So, we continue to invest in flu as a vaccine. The third one is the Tdap vaccine, which is Boostrix. So, these are three vaccines which are right at the top.

We also are probably ahead because we are one of the companies that has created the category for maternal immunization. When expecting mothers have to be given in the third trimester, this is one of the safest vaccines. So, these are the three or four ones where we clearly see enough growth potential over the next 12 months, 12 to 18 months.

Juby Chandy:

Maybe one question more and then we can wrap.

Bhushan Akshikar:

Yes, sure. How big can Shingles be from a three to five-year perspective? What's the strategy to drive that growth? That's from Bhavesh Sangvi. Now, clearly, as you can imagine, it's the biggest asset for us globally. It's a £3 billion brand globally out of that. So, it's almost 10% of our top-line revenues as a corporation. In all the countries that we have launched, be it regardless of the reimbursed or the non-reimbursed category, the fact is that it's one of the most innovative vaccines can prevent and is efficacious to the extent of almost 94%. So, as I said earlier, assets like Shingrix will not follow a linear curve. So, clearly, given the fact that we are talking of a target addressable market of almost 12 million Indians to begin with, with each year cohorts getting added, which means everybody who is above 50 years can potentially qualify and be eligible, it's a significantly big market. So, clearly, in Shingrix, you have the potential opportunity to see a brand which can potentially be the number one brand, not just within the vaccine category, but even within the basket over the next 3-year period. So, the opportunity is massive.

Moderator:

Great. So, with that, we have come to an end. We have taken most of the questions. For those possibly who we have not answered, we will come back to you as much as we can. Maybe a little closing remarks from you.

Bhushan Akshikar:

No, I think, thanks for your interest and continued commitment. I think as investors who remain in a company for the last 100 years that has been in this country for the last 100 years, I think we appreciate your time. As I said, the objective of this meeting was because we have just undergone a massive transformation and obviously this VRS is a one-time exceptional item. And therefore, I and Juby thought it's appropriate for us given the journey that we have undertaken from that 18%, 19% margin to stabilizing it in the range of 26%. The idea is to ensure that all your questions and concerns are addressed. More importantly, continue to share the progress, and we will do this regular feature. As and when we close our fourth quarter and announce our fourth quarter results, we will see you again. Thank you very much for your time. Once again, really appreciate it.

Moderator:

Thank you, Bhushan. Thank you, Juby. Thank you everyone for joining. As Bhushan said, we will have a call again at the end of our full-year results. So, stay tuned. We will, of course, upload the presentation and the audio file on our website. As always, if you need anything, please do reach out to me. Thank you very much. Have a great evening.



GlaxoSmithKline Pharmaceuticals Limited
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Bhushan Akshikar: Thank you very much to everyone. Thank you.