Abbott

Abbott India Limited
Godrej BKC, Plot C-68,"G"Block,
15-16th Floor, Bandra-Kurla Complex,
Near MCA Club, Bandra (E),
Mumbai - 400 051. India

Registered Office:
3, Corporate Park,
Sion-Trombay Road,
Mumbai - 400 071.India

Tel: (91-22) 5046 1000/2000
Fax : (91-22) 5016 9400
E-mail : webmasterindia@abbott.com
Website : www.abbott.co.in
CIN: L24239MH1944PLC007330

Transcript of Investors Meet – September 28, 2022

Abbott India Management:	**Mr Vivek V Kamath**	**–**	**Managing Director**
	Mr Rajiv Sonalker	**–**	**Whole-time Director and CFO**
	Ms Krupa Anandpara	**–**	**Company Secretary**
	Ms Mandira Viegas	**–**	**Associate Director – Public Affairs**

Krupa Anandpara: Good afternoon, everyone and a very warm welcome to all of you. It's a pleasure to have you all here. Thank you so much for joining us today. Myself I'm Krupa Anandpara, I'm the Company Secretary of Abbott India Limited and I have with me, Mr. Vivek V Kamath, Managing Director, Mr. Rajiv Sonalker, CFO and the Whole Time Director and Ms. Mandira Viegas, Associate Director of Public Affairs.

Please note that this meeting will be recorded and published on Abbott India website. There is no presentation at this meeting, the meeting is going to be interactive. We have already received questions from you in advance and we are trying to cover as many as possible.

Just before we begin a small disclaimer, today's discussion may include certain statements that may be construed as a forward-looking statements. These statements were made based on management's current plans and assumptions and must be viewed in conjunction with the risks that our business faces. We cannot guarantee that these forward-looking statements will be realized. Although we believe we've been prudent in our assumptions. We undertake no obligations to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. With this note, I hand over to Mr. Vivek V Kamath, to take this meeting forward.

Vivek V Kamath: Thank you so much Krupa. Wish you all a very good afternoon. I do have the opportunity to say ladies and gentlemen, because I see three ladies in the audience. Thank God for that. Firstly, it's a real joy and pleasure to be here with each one of you after a couple of years of virtual interactions, finally we do have physical interactions. And I think the joy of having a physical interaction is a very different feeling altogether. So, glad to be here, this is my first investors meet within Abbott India Limited. I've been six months into the system. What maybe I'll do is, we have received the questions as Krupa has said, maybe I'll introduce myself a little bit. Talk a little bit about the healthcare industry to the extent it's relevant to Abbott India Limited. Then give a little bit on the strategic outlook or the strategic imperatives that we at Abbott India Limited are pursuing, then maybe I'll get down to the questions. Given the questions what Krupa and team have been kind enough to do is kind of bucket into therapy areas, so that I can have a little bit of a coherent response from my side. And address them therapy area with therapy areas. And after that, I'm sure we'll have time for a slightly open session for any queries or questions beyond what have you have already received.

With that a little bit about myself. My name is Vivek Vasudev Kamath. Over three decades of healthcare experience. India, South Asia, Southeast Asia, prescription business, OTC, diagnostics, oncology, public market, market access, vaccines, the whole range. This is my fourth stint as a GM. I worked in sales, marketing, P&L management, I have also done multiple P&L Plus roles, like localization of manufacturing, patent litigations, fought and won 36 of them. So, those are few things that I have covered in my career. A couple of things I have very strongly believed in, in any businesses is growing faster than the market in terms of top line, bottom line faster than top line, building a strong talent pipeline in organization and doing business the right way, which is compliance and generally these are the four things that I focused on. I come to Abbott India Limited from another affiliate of Abbott collaborate specialty care, we did some very good work there and then turned around to business. And that's about all that I can say because that's not a listed entity. Before Abbott, I was the Managing Director and GM, of MSD Pharmaceuticals, where I was responsible for three organizations, Organon, Fulford, which was a listed entity, and MSD which was a wholly held subsidiary of the parent company. Before that, I have held two regional roles based out of South Asia and Southeast Asia. So, that's, a little bit of me.

A little brief about the healthcare industry and I think I don't need to share much about it. Each one of you have very strong analysts teams who might be churning out more data than may be I can in the next five to seven minutes. But what is more relevant are a couple of trends. One, over a period of time the medical reimbursement structure in this country is changing a little bit, we were at some point of time only a self-pay market but over a period of time, whether it is the Jan Aushadhi, program run by the PM, run by the government, or increasing penetration of hospitalization, coverage of insurance, or the growth of beneficiaries like employee state insurance, corporation, defense, railways, etc we have certain segments of populations, which are getting reimbursed. So, that's the one which is good.

The second trend is about patents. We have had a series of products which were patented being launched in the last five to seven years. One of the good things is, there will be a series of products which will be going off patent in the five to 10 years. So, we have more than 500 LOE opportunities in the branded generic space. So, once the patented market is growing, and is likely to grow significantly in the years to come, the products going off patent are also significantly high. So, therefore a very strong opportunity from a healthcare perspective. As we speak, the industry is a $20 billion plus industry growing at around 10% to 12%, an average of 11%. It's 80:20 skewed in favor of Indian companies almost out of the 3000 odd organizations almost 80% are in value Indian companies, 20% are multinationals. But what is ironical is almost 43%, 44% of the market share is held by the top 10 companies. So, while we have a lot of organizations, it's also a little bit of consolidation. Why it is relevant to us, because Abbott India Limited is the only multinational amongst the top 10 companies in Indian pharmaceutical market. Not only that, we are also growing faster than the Indian Pharma Market, IPM. So, these two things are extremely important that we have been able to win in a market, which traditionally is dominated by Indian players in an Indian setup. We have our own fair share of mega brands as well as loss of exclusivity molecules. So, that's about Abbott India from financial perspective, and Rajiv might will allude a little bit more later. We had a 14% plus top line growth in the year that went by, margin grew a couple of percentage points above top line. Why again this 14% is important because if you continue to grow at this rate, we will be a $1 billion organization by 2025. And that's a milestone, we are all looking at both achieving and beating in the years to come. So, that's a little bit about Abbott. The rest of the financial and details anyway are in the Annual Report and in every other submission that we do.

Coming to, where do we go from here:

I did mention that we are the only multinational in the top 10 growing faster than the market, where do we go from here. Broadly, I'll put three or four areas on the table, which will help us fuel growth, one is portfolio. And the portfolio would be broadly broken up into the top 10 brands nine to 10 brands which are $15 million plus. And whilst they look like big brands, they have significant opportunity for growth. Because those are the areas where we are shaping the market. Brands or therapy areas like Thyroid, almost 10% to 12% of India's 1.4 billion population as per epidemiological studies suffers from hypothyroidism. And if some point in time, we as market leaders are well poised. Our market share was near to 53%. We are in the market shaping role and so is the case with most of the other therapy areas in which our top 10 brands exist. I'll speak a little bit about that in a while.

Second is what we call our next line of products, the next 10 which are again maybe within the $5 to $15 million range. Brands like Arachitol, Vitamin D, Creon for digestion, Ganaton, Prothiadin, Zolfresh for insomnia, all in very strong emerging therapy areas having a very strong presence, backed by strong medical marketing initiatives, are poised for exponential growth. The third bucket is going to be new product introductions. In the last three years, we have launched almost 35 new products, going forward in the next five years, we plan to launch almost 75 new products. New product introductions will be broadly bucketed into three areas. One, since we already have big brands, the top 20 big brands which contribute almost 90% to 93% of the business we are going to strongly focus on lifecycle management. For example, we had Digene, but along with Digene we had Digecaine which is Digene Plus local anesthetic. We have Digene Raft, which is an antacid plus sodium alginate, which is a raft forming agent. We have lifecycle management to plug all possible unmet needs around a mega brand. We came out with Digene ultrafast, Digene stick pack. My team has been sweet enough to put up a display of products there. We are focusing strongly on building lifecycle management around over mega brands that's number one.

Second, as I mentioned earlier, we have a very strong opportunity, around loss of exclusivity. Every year there are patented molecules going off patent across therapy areas. We have an opportunity to be first and fast in terms of grabbing those loss of exclusivity opportunities.

Thirdly, our new product introductions are going to be in related therapy areas. For example, in Thyronorm, we are in the thyroxin category. There are certain opportunities in the thyroid space with newer molecules.

Similarly, we are also looking at new product introductions with allied customer cohorts. For example, if one of the therapy areas of the Business units is meeting a certain set of customers, and we have a very strong relationship interaction with those customers, we look at what are the unmet needs of the patients of those customer sets and launch new products around that.

So, this is the entire portfolio strategy- our mega brands, which still have a lot of headspaces to grow, our next 10 brands and our new product introductions. Now coming to the mega brands, if I'm allowed to add a sentence or two, whilst those brands are big, they have very strong opportunity to grow even bigger. Because as I said earlier, we have a very distinct approach. We are not just in the brand share game, for most of our top 10 brands. We move from therapy shaping to diagnosis, to the pill, or the medicine. But we go beyond the pill, we focus on adherence, we focus on patient care. So, if you see thyroid, we do more than 25 lakh thyroid tests in a year, so that more and more patients are added to that particular pool and they discover their TSH levels.

We do run campaigns; we have a campaign called MITA which is nothing but Making India Thyroid Ever. So, in every category we are working very strongly even in our big brands, in shaping the market, in doing extensive diagnosis, and then offering the pill, something like Thyronorm, we have the largest set of SKUs from 12.5, to now 200 milligrams so that the doctors have the full range for all sorts of patient cohorts to be able to prescribe our medicines. And then we follow up very strongly with adherence, as well as patient support initiatives we have a program called a: care which is an app and a web-based tool, both for the doctors and patients where we can work around various patient centric innovations and interventions to ensure we improve the adherence and the patient experience. So, that is the way we continue to grow our top 10 brands.

Going beyond portfolio, we talk about Geography, currently almost 70% of our business comes from metros and class one towns. But I think we all are aware the kind of potential that the class two, class three, and I wouldn't say rural, but the extra urban geographies hold with respect to health care. During COVID, we also saw infrastructure as far as healthcare is concerned expand in non-metro geographies and we are going to leverage by getting very strongly into extra urban initiatives. We already started certain initiatives and we will go very strongly in extra carbon. So, not only we will consolidate in the metros and the class ones but will also very strongly expand our geography presence.

The third bucket beyond portfolio and geography is channels. Traditionally, there was a simple channel, the doctor prescribes, the retailer sells and life goes on. But as I said earlier, today there is a very strong market access public market opportunity which is coming up, you have something like ESIC or ESIS which has 110 million beneficiaries. We have various state government and central government programs, we have national and state immunization programs for various products. We have very strong plans to participate in the market access and the public market opportunity that exists to drive access. Somewhere salt has iodine for a good reason. We would like to see our products also in multiple market access initiatives. We also have very strong plans to get into emerging channels. Today, you see two kinds of emerging channels. One traditional brick and mortar retail chains are moving into online pharmacy model. Apollo promises that they will deliver medicine straight to residents in two hours. At the same time, many of the contemporary online emerging channels are very strongly getting into brick and mortar, somewhere the line is blurring and without any margin dilution, we would still like to participate in these channels, because those channels are here to stay. We already have very strong plans as we speak and have strong initiatives, where we are partnering with multiple retail chains and leveraging their presence. This is as far as the channels are concerned.

Therefore, and just to kind of pull together. One is the entire portfolio, which is big brands, second line brands, new products. Second is geography, not only consolidate in metros, but also go beyond into class one, class two and extra urban some very strong initiatives, third is channel, fourth is digital. Today digital is here to stay, COVID only accelerated the inevitable but digital was anywhere here to stay. And when I say digital, what do I mean, it's not just a fancy word to quote in a business setting. Digital again has multiple aspects to it. One is an augmented customer facing interaction. Today, almost all our customer facing colleagues have iPads. Our entire customer or doctor communications happen via iPads, we have a very strong communications built on patient persona, which are delivered via the iPad, that is number one.

Second, we do a lot of multi-channel engagement. So, gone are those days when you have a monologue with the customer and move on. Today, many of our CMEs happen in a hybrid model. Our customer interactions happen in a hybrid model. We do a lot of scientific dissemination in a digital and a hybrid model. The second aspect is how do we reach customers. How do we reach covered customers in covered geography, how do we reach uncovered customers in covered geography and how do we reach uncovered customers in uncovered geography. Trust me, I'm not playing with words. These are three very distinct cohorts of customers that exist I repeat, covered customers in covered geographies, how do we increase frequency. Uncovered doctors in covered geography, how do we increase reach. And how do we expand our penetration and reach in uncovered doctors in uncovered geographies. Digital platforms today help us achieve this beyond my face-to-face coverage.

The third aspect of digital is direct to consumer. As you are all aware, we have a very robust OTC portfolio with the current portfolio encompassing antacids, laxatives, and a little bit of pain. Today, the world and the media habits are moving there was a time when there was only TV and a newspaper. Today, the news or the views are first digital. The breaking news doesn't happen in press, the breaking news happens on your hand device. Your medicine search, or your indication search or your symptoms search happens more on Google than waiting for a television or a press. So, we are having very strong digital initiatives for our OTC products. Therefore, when I say digital, as I said earlier is not just a fancy buzzword. But we are looking at leveraging digital to enable our customer facing colleagues be more productive, more effective, sharper. Second, reach customers, which were earlier not reached in a face-to-face model. Thirdly, significantly augment and sharpen our direct-to-consumer initiatives. Therefore, just to kind of again pull together, we have a portfolio strategy, we have a geography strategy, we have a channel strategy, we have a digital strategy. And all this somewhere is very strongly built on a foundation of two other maybe non-business but equally important aspects, which is talent and compliance. Maybe I'll not get into those details at this point of time. But we have a very strong talent set of initiatives, right from diversity and inclusion to a concept what we call quality of voice. In healthcare everybody talks of share of voice, we want to be a bit different. We not only talk of share of voice, but we also talk of a concept of quality of voice. How good is each colleague in delivering more efficiency, more effectiveness, and more productivity.

And the last bit is about compliance. As you all ever we are 130-year-old organization globally, 110 years in India, we have been able to sustain our business model because of our values and behaviors. And we'd like to continue working on those values and behaviors. So, that is a little bit of background that I wanted to give, a little bit about myself, a little bit about the industry and a little bit about the AIL business model in terms of what is the direction that we are going into. This portfolio geography, the channels and the digital.

One last thing that I want to share before I go down to the specific questions is, continuously looking or re-looking at improving the effectiveness and efficiency of our operating model. There's a very clear saying that you cannot do tomorrow's business with yesterday's methods. The competition is dynamic, the marketplace is dynamic. And it is extremely important we reinvent ourselves to be able to achieve our core objectives of growing faster than the market and delivering a faster than top line, bottom line, attract talent and do business in a compliant manner. So, we keep looking at our business model, it's just a case in point. Our entire growth last couple of years has come from productivity increase. It hasn't come from adding people. Sometimes in healthcare, it's very, very simplistic to just go on adding people and talk about share of voice. If I connect the two dots of having a better bottom line, and improving the productivity via quality of voice, that's exactly what we have demonstrated. Not that we are hesitant to add people, but we are very conscious that there are significant amount of opportunities in improving our operating model and when I say improving our operating model, it is with respect to deployment, it is with respect to the kind of specialties that we meet, it is about the portfolios in the right teams, it is about potential for co-promotion, it is umpteen number of, it is the reach and frequency. It is leveraging digital, it is optimizing our expenses, any kind of expenses and we have a very clear plan. We have a very clear plan, how can we lead profitable growth because in essence, every business at its core is aiming to lead towards profitable growth. And therefore, how do we focus on that, we are consciously looking at reducing our gross to net, we are continuously looking at improving our distribution margin, whether it is product mix, whether it is cost of goods improvement, whether it is optimal pricing or productivity, we are continuously looking at improving our returns on the investments that we deploy, whether it is both promotion and selling. We are looking at PCPM, we are looking at every granular aspect of our operating model and trying to ensure we have a more leverage P&L while growing faster than the market.

So, these are the couple of things that we are very consciously pursuing the portfolio strategy, our geography strategy, our channel strategy, we have very strong people strategy, our digital, which encompasses everything that we do and we keep re-looking at our operating model in order to be better, more effective, more sharper, more efficient, in terms of our entire operating structure. So, that's, a little bit of what I wanted to cover from a background or a perspective. This is the time I take a deep breath. So, that I don't sound like Shankar Mahadevan.

Now, maybe what I'll do is I'll go to the questions that we have already received. What the team also has done for me, is kind of bucket the questions under various therapy areas, so that it becomes a little bit of easy. So, what I will do is I'll go therapy area by therapy area, I will also give a little bit of background of the therapy area. And then come to the specific questions. One of the areas that topped the charts was the women's health business, this is a question everybody has. So, let me give you in a very balanced manner, firstly the woman's health portfolio grew by more than 23% so it is a good news. And largely driven by the big brand Duphastone. It is also important to understand that we continue to grow in terms of portfolio, we launched a heat stable Carbetocin, which is for postpartum hemorrhage in fact, this is one of the products very close to my heart, and I'll talk about in a little bit, we launched a product called Preservgest in pregnancy maintenance. And we also launched a product called Femoston 2/10, in the postmenopausal category. Now two of these segments are very close to my heart and I'll tell you why.

As a human being and a citizen, the entire period of menopause is a significantly large condition many women in our country undergo, we have a huge opportunity to take the right set of molecules and products this is a huge unmet need. But this category needs to be built. Now why we are in the right place at the right time, this kind of takes me back to Thyronorm 10 years back. This takes me back to the first one maybe 15 years back. This takes me to something like Duphalac 10 years back. We, at Abbott India Limited, are good at one thing, which is building categories and building strong brands in this category. In Femoston, that is what we are embarking on. We are investing heavily to build the post-menopausal problem category with Femoston, which incidentally globally is a very big and very strong molecule. Does this category exist, yes. In terms of patient cohorts, yes. Does that category exist in terms of therapy currently, no it's very small and somebody has to invest, we are investing. One day you will see in may be the next three to five years, the post-menopausal problem category as a huge category. And just like we have Thyronorm and Duphaston, we would have Femoston with a very strong market share, leading and expanding this category. If you're seen most of our top 10 brands are not brand share games, they are categories where we are expanding the category we have been expanding the category and we continue to expand the category and we will stay committed and continue to expand the category, Femoston falls into the same pattern going forward.

The other product which is very close to my heart is Riligol**,** it is nothing but a heat stable carbetocin, let me give a little bit of a background. And I might be factually a little bit here and there but almost 28% to 30% of global instances of maternal mortality happens in India. And almost 30% of that happens because of a very simple thing called postpartum hemorrhage, which is bleeding, while giving birth or after giving birth. We have a very simple belief; no mother should die giving birth. And I think it's a very simple thing to expect. No woman, no mother should die giving birth with Riligol, by the way there is something called Oxytocin. But Oxytocin is heat labile it needs to be kept in zero to eight, if I'm not wrong. Now, in cities in some nursing homes, you still might have certain facilities, but throughout the country, expecting cold storage in the last mile is a little bit of a challenge. Therefore, Riligol is a lifesaving product if given within that first hour, it can save a life by inducing uterine contractions. We have partnered with Ferring and we are marketing this particular product. Why I wanted to give this little bit of perspective is, in the woman's health whilst we fight the Duphaston battle, we are not getting distracted to our commitment to the category expansion of women's health. Along with Duphaston we are continuing to invest in Riligol, we are continuing to invest in Preservgest, we are continuing to invest Femoston to build categories for the future.

Otherwise, we will not be able to pursue our 1 billion plus dream for the years to come.

Now, let me come to Duphaston. Duphaston is a very unique situation, we have moved from being the only one to one amongst the 41 brands in a span of two years. So, after being the only ones for 60 years, in two years we now have 41 competitors. What has that led to, first that has led to an exponential growth in the market. The market has almost doubled, not only in terms of value, but also in terms of prescribers and prescriptions. How have we tackled it, we have lost share but we have grown and we continue to grow. The woman's health portfolio as I said earlier, grew at 23%. So, what are we focusing on, we are focusing on continuing to differentiate ourselves. All our competitors are importing from one source in China, whereas we continue to source from a place called Netherlands, it's our own Abbott manufacturing and that is the source that has been supplying for more than 60 years, globally to a 100 plus countries. So, we believe in our quality, we believe in our product, we continue to offer and communicate the benefits of our products to our customers and our customers continue to believe in us. So, as a result whilst we have lost share, because we have gone from 1 to 41 or 1 to 42. We are growing and we are continuing to grow very strongly, both in terms of prescribers and prescriptions. We continue to believe in our product and we continue to communicate that belief to our customers and our customers are continuing to accept that belief.

One other aspect, there are broadly two segments to the entire Duphaston market. One is gynecologists one is IVF. We have lost share in gynecology, but even within the segments we have not lost share in IVF and this demonstrates the belief that the customers have in our products because in IVF it is extremely important that the doctors choose the product they trust because the patients, not the patients but the people who come to an IVF clinic have a faith relationship with the IVF doctors. So, the good thing is, we are despite 40 odd competitors, we have not lost share in the IVF market. We have only lost share in the expanding gynecology market so, Duphaston is a mixed bag. Duphaston is a mixed bag, but what is very important is we continue to grow, grow very strongly. We hold market share in IVF, one other last aspect why we are so optimistic about Duphaston, China every year has slightly over five lakh IVF cycles that happen. India has slightly less than two lakh IVF cycles. And I don't know if you folks are aware, recently there have been some regulations in the IVF category which mandate IVF clinics to register themselves with the government. We believe this will lead to consolidation and a better transparency and regulations around the IVF clinics. This will also mean the IVF cycles going forward in the years to come will increase I see no reason why India should have less than 200,000 when China will have more than 500,000 IVF cycles. Therefore, in an area where we have managed to hold market share, despite the entry of 41 competitors, if that category expands, we are extremely excited to continue to grow in this particular category of the IVF and we have some extremely strong partnerships with IVF clinics.

So, this is the entire perspective I wanted to give with respect to both Women's Health in terms of an overall portfolio as well as the focus that we have on Duphaston, have we lost share, yes. Are we growing, yes. Will we grow, yes. And I have given you all the reasons why we will continue to grow with the Duphaston while expanding the portfolio as far as women's health is concerned.

Another question was the way you have seen competition in Duphaston, are there any other brands you see a similar reputation. Actually no, because in none of the other categories, we are the only ones. We already have multiple, if you take something like Thyronorm, where we are number one in adding market share every year, we already have 11 competitors but we have still held our ground, we are growing faster than the market, we are expanding the category, we are playing the lead position. So, in none of the other categories we are impacted. Duphaston we will manage the situation and we will continue to grow.

Now from Duphaston I come to a category which is an extremely strong category for us which is gastroenterology. The GI showed almost a 27% growth and is an extremely strong growth driver for the company. And as you're already aware, we have multiple brands like Udiliv, which is in chronic liver disease, Duphalac for constipation, again Cremaffin Plus for constipation and since each one of you is important, I'd like to for a moment differentiate how we are managing two brands like Duphaston and Cremaffin.

Duphalac is lactulose and therefore, it has a very stir segmentation in terms of gynecologists, safer, can be used for a longer period of time and has a few other indications along with constipation. Whereas Cremaffin is nothing but the milk of magnesia with Sodium Picosulfate Cremaffin Plus, plain Cremaffin is Cremaffin plus minus Sodium Picosulfate or plain milk of magnesia. So, what the teams are managed to do, is find distinct customer cohorts, distinct indications, so that for different types of constipation, for different patient groups and different customer audiences, we have an appropriate product offering. So, something which requires acute treatment, like during surgery etc. is Cremaffin Plus, something that requires a slightly gentler anti-constipation therapy. for sensitive patients or customer co-hos like gynecologist we have Duphalac and that is why you see Duphalac, Cremaffin and Cremaffin Plus are growing and growing very strongly.

So, as I said, we have Udiliv, we have Duphalac, we have Cremaffin incidentally we also have a series of second line of products in the GI portfolio for example Creon which is a fantastic product and I&D team has also helped with a proper meter dosing, etc so we have Creon which is doing very well. Ganaton which is doing very well, Librax is doing extremely well, we have Heptral which is doing extremely well. In another three to four years, these will have the same position like the top 10 brands in terms of value. We are having accelerated growth in all these second line of products and internally we call them hidden gems. I know it's not an industry parlance, but it's more of an internal jargon that we use. We also have a very deep portfolio as I said of Hepato protective, antacids, laxatives, we are very strong in IBS and IBD, etc and we are looking at very strong new product launches, there are two new product launches that I'd like to mention this one is Digeraft. And as we speak, we have already achieved the market leading position with Digeraft. It is nothing but an antacid with an agent called sodium alginate or alginic acid, which actually forms your raft, it forms a raft. So, what happens in any reflux esophagitis case, it actually forms a raft we say chest burn or salty burps, what fundamentally happens is the acid and the liquid kind of comes up. But with Digeraft what you end up is having a raft like structure over the food or the liquid, so that that burning sensation or that acid reflux doesn't happen. And it's already got into a number one position in terms of its category and delivered very strong value. So, earlier I mentioned new products, there are a couple of categories where we have done extremely well with respect to the new products of the last three years, one has been Digecaine and one has been Digeraft. And as we speak, we are launching line extensions for Digeraft with different strengths of sodium alginate, as well as different strengthens of antacid. So, we are exponentially growing within this particular category.

Another new product, which has been extremely successful is in the vaccines category, but I'll speak more about it when I come to vaccines. One very important reason for the GI success and growth has been an integrated approach. As I mentioned, during the portfolio discussion, we don't just get into a brand selling, we get into owning the category. So, we go and talk about therapy awareness, we go into testing, for example we have something called Fibroscan. So, in thyroid, we do thyroid test. In GI we do Fibroscan, we have Fibroscan machines, which go around helping the doctors diagnose liver dysfunction, et cetera. So, we get into therapy awareness at a patient and a doctor level, we get into diagnosis so that the patient pool increases, then we get into offering the right medicines in the right dosage forms, packs, etc. And then we get into patient care, for example there is an innovative initiative called Gutfit all about gut flora. There are multiple initiatives which I can speak about. So, we have Gutfit, we have Fibroscan diagnostics, we have liver function test being done. So, we just don't sell a pill. We build a category and that is how at Abbott India Limited we have been able to build brands and that's one thing we are not going to move away from. So, that was as far as the GI is concerned.

One of the questions what is the future outlook. We have a very strong future outlook and let me also share with you as we speak. GI is one area where we are ramping up headcount, because we are the leaders, Abbott is the leader in the gastrointestinal category and we would like to retain this leadership. If I'm also allowed to say we are the leaders, despite having a slightly smaller team size compared to the number two and the number three competitors in the marketplace. We therefore didn't want to rest easy on the past successes, and as we speak we are ramping up, or we are already ramped up as we enter 2023 in terms of headcount. We are launching another business unit within the GI business. So, we are expanding, we are very strongly expanding, because we have a strong portfolio, we have a strong presence, and we want to leverage this presence. And we want to continue this growth rate, it will be a shame if we don't maintain this momentum. The teams have done some exceptional work to build this momentum and we want to continue. That's as far as GI is concerned.

Coming to another very important category Metabolics. Predominantly, we operate in hypothyroidism with the Thyronorm. As I said, we increased market share, we are growing faster than the category. In fact, almost all of our top 10 brands are growing faster than the category, AIL is growing faster than the Indian pharma market that's very important. Thyronorm grew faster than the category, we continue to be the market leader, we increase market share. As I said earlier, we are continuing with all our initiatives, one being MITA, MITA is Making India Thyroid Aware. So, we are spending a lot of efforts on thyroid awareness. We also do as I said 25 lakhs plus tests every year on TSH detection, for TSH thing. Now, where do we go from here, this year we have already initiated starting from January, February getting into a geographic expansion. So, we have recast our teams in such a way that we are going not only to the metros and the class ones, but we are also getting into other initiatives. In fact, we launched at the start of this year, an initiative called Udaan. And Udaan was basically getting into extra urban, and we have got some very good results from Udaan. So, those geographies which were not covered, which were not thought to be high potential, one of the things we realize post COVID is there is a patient pool, there are doctors, there is a market and if we want to lead, we cannot lead only in metros and class ones. We are now with Thyronorm and metabolics expanding. So, we are truly leading the concept of Making India Thyroid Aware and expanding our diagnosis, patient awareness, therapy offerings and patient care to the next level of geographies. So, that is that is one very important thing that we're doing, we are getting into very strong penetration and Tier II and beyond.

We have a very strong volume growth, one of the questions that was asked and I'll cover maybe in this context itself is, what has been the volume growth and what has been the price growth of the 14% plus, 14.1% top line growth almost 7.6% has been volume, the rest has been price. There is another question, what is your because Thyronorm is an NLEM product, one of the questions was what is your breakup of NLEM, non-NLEM, almost 26% of our business by value comes from NLEM products, the rest is from non-NLEM. And we are continuously working with the government and following all possible regulations to ensure that we maximize all opportunities within whatever the government allows with respect to NLEM.

There's a specific question on NLEM outlook for Thyronorm, very simple from 12.5 to 150 mg our entire range is under NLEM as we speak. Having said that, last year we did get an opportunity to take an appropriate price increase in line with the WPI increase. So, as far as we as an organization are concerned, a responsible organization we work within the regulatory and the governance framework given by the government and we will try to explore all possible opportunities, if it is under price control so be it, we will rework our business model to ensure we still expand this category. We still make India thyroid aware; we still treat the millions of patients with unmet needs, and we'll work out a business model around it. And that's the way we have been doing so far. So, we are not concerned with that.

Vaccines, another exciting business. We have been operating with four products, the biggest product has been Influenza, Influvac and if I'm allowed to do so, I would encourage each one of you to take an Influvac dose. If I would have thought of this earlier I would have arranged for it today. But we also have a vaccine for typhoid, enduroshield, rotavirus, diarrhea, rotasure. But I think the highlight is firstly Influvac, we continue to grow faster than the market. Having said that, this is one area where we had a little bit of a blip. Because after COVID went, COVID did two things. Number one COVID increased significantly, the entire concept of adult immunization. Before COVID, immunization was thought to be for children. If I had told any adult, that you need to take a jab to protect yourself, it wouldn't have been acceptable. And that's actually very strange to understand, because out of the 20 indications for which vaccines exists, 14 are applicable both to pediatric as well as adult, but for some reason in India, vaccination was always a pediatric segment. For example, why only Influenza you take pneumococcal vaccine, it is applicable both for adults and children. You take Japanese encephalitis, both Hep A, Hep B, both. You take 14 out of the 20 products indications which involve vaccination, they are applicable for both adults and children. So, one of the things as a fallout of COVID was the entire concept of adult vaccination. And I'll come in a minute, what is our plan going forward, but I think as we speak, we are Influvac, Rotasure, we have Enteroshield and the most important product that came out of this table is a new product called Havshield. As we speak, in its first year of launch, we are likely to do extremely well. We will cross a million dollar in sales. So, it's been extremely successful launch a product called Havshield for Hep A.

So, going forward, we will continue to grow Influvac, which incidentally is growing faster than the market but the market has slowed down. Because what has happened is, post COVID especially the third wave of COVID, people are almost like I have taken already two to three jabs, how many more jabs do I need. So, somewhere the market has slowed down. Also in the COVID period, schools didn't happen, so pediatric vaccination didn't happen. Going forward, we see a huge resurgence. So, right now we are seeing quarter-by-quarter, the influenza category grew up. And the good thing is we are outgrowing the category. So, we are seeing a very clear upward trend as far as our own business is concerned. And in the coming years, we want to drive this category, we are on the 200-crore business where the biggest brand is in Influvac for us. It's more than a 100-crore brand for us and we would like to leverage this particular brand. One of my aspirations says to protect every human being in India, against influenza with an Influvac vaccination, why not.

We also are very strongly in with the two strains that exists the Northern hemisphere and the Southern hemisphere. So, we are always first to the market with both the Northern hemisphere as well as the Southern hemisphere strains as far as Influvac is concerned. But the big thing has been the new product Havshield against Hepatitis A. And that really, really took off and is one of the few successful or one of the successful so we have Digeraft, we have Digikin, we have Havshield. These are a couple of the new products which really have driven significant growth for us. Again, in vaccines especially in the adult so going forward where do we see the focus, the focus will be adult vaccination, because pediatric vaccination is a relatively brand share simpler play. The Indian Academy of Pediatrics schedule already exists. There is a guidance of which vaccines which have to be given at what age group. It is a brand game, but more exciting and more rewarding will be the adult vaccination category where we are already in with influenza. As we speak, we have a very strong pipeline for the years to come, with certain other vaccines. We are building some extremely strong partnerships and you will see in the years to come more robust launches predominantly in the adult vaccination stage. It's not that we are going away from pediatric vaccination. But if I take these two buckets both pediatric vaccine category and adult vaccine category. If you ask me in the next three years, where is the growth going to come from, it's like each one of you. If you look at two sets of organizations, and where to put your money you would like to see which is the organization which is likely to have greater growth potential in the next three years. So, between pediatric and adult vaccination category, where do we see the pediatric vaccination might be robust right now more stable, but the next growth is going to come from I got so excited they lowered my volume. I'll back off a bit. I noticed that. But I'm genuinely excited, because we have an opportunity to create the adult vaccination category. Just imagine a billion plus people in this country taking the influenza vaccine every year. Forget business, it's the kind of unmet need and patient protection that to deliver and the opportunity that exists. But that's vaccines.

There was a question, are we going to get into COVID. No, there are no plans to enter into COVID-19 vaccine manufacturing or distribution. We are not in that space and I hope and pray we don't want to see a market for COVID-19 going forward. I hope the patient numbers go down and go down very strongly. We have a very strong NPI pipeline, we fight product introductions plan till 2025. The market size of the introductions, there are specific question around what is the market size of vaccine introductions that you're planning is Rs 1132 crores so that's the kind of market that we plan to participate in the years to come, no plans not to get into COVID.

CNS or mental health, this is another exciting and very important category, what is our play, the biggest brand we have is a product called Vertin which is for both vertigo as well as for antiemetic effect or nausea, etc, which is related to the cochlear imbalance issues. It is an old 200 crore brand again going faster than the market. But we also saw post COVID for some reason, the vertigo market kind of slowed down a little bit. And maybe it's because for two years, people didn't travel much now there is what we call, revenge travel or revenge tourism or whatever people are all out and maybe people are having different mindset. But we continue to stay committed, the CNS segment achieved a growth of almost 13%, mainly driven by the key flagship brand Vertin for Vertigo. Again, here, we have a very strong initiative called vertigo care, because not many patients are able to understand and recognize vertigo. If people feel nauseating, for them to associate whether that nausea is because of vertigo is slightly different. So, again like many of the other products even in Vertin, we are focusing a lot on category building on recognizing, in fact we recently celebrated what we call, the balance day, something as simple as, can you stand with your hands outstretched on one feet with one leg up. Can you draw a straight line and walk, if you close your eyes are you able to walk, small, small test. Now it might to a normal human being feel, isn't these things very simple but for a patient suffering from vertigo, these basic things are difficult. And that is how a doctor can diagnose. So, we are going to very simple tools where a doctor can recognize and treat a patient with vertigo.

Why should the patient with vertigo not have access to care when medicines exist. Fortunately, we again have a 40% plus market share in this particular category, we drive the category therefore like every other key brand or mega brand that we have we have taken the initiative and the onus of expanding the category. So, we do everything, we have a program called A care, we have an app for patients, we have a web application for doctors, we expand the category, we help with diagnosis and then focus on treatment. This is as far as the vertigo, the other big category we operate in, is epilepsy. And I don't know, if you have seen and I wish I could show or at some point of time I will see if it can be mailed, we built a very nice video, to remove the stigma around epilepsy. I don't know how many of you are aware but if you just go away from the city or even in many cities, epilepsy means the person is possessed, or the person is mad, or there are so many other myths about a simple treatable condition like epilepsy. Devi has come or whatever, I don't want to get into any other touchy subject and invite any other tangential discussion, but epilepsy can be treated. We all need to recognize epilepsy can be treated and a person suffering from epilepsy is suffering, like any one of us from any other medical suffering from any other medical element, and we therefore have an opportunity. So, we've made a very simple video campaign called ABCDE, E for epilepsy, where school children in school actually teach all the elders that, epilepsy is not something that has to be scared off or run away from. It is a very touching, it's a very emotional video, and we got some very good reviews around that, because we use that to help the doctor spread the awareness of epilepsy. So, on one side, we are expanding the category, second we are expanding the portfolio. We have Eptoin, which has been with us which is a mega brand, which is nothing but Phenytoin Sodium, we also launched a product which went off patent last year called brivaracetam. So, we launched a product called Betavertin in terms of tablets, syrup and injection, and that is our way of because that is the next generation molecule. As we get into the next generation, we need to have the right portfolio. So, whilst we have Eptoin, which is Phenytoin Sodium, we also launched brivaracetam, which is under the brand name, Betavertin. So, as we speak, we have launched the oral solids, we have launched a oral liquid, we are launching the injection as well. So, whilst we are growing the category, we are also ensuring we are expand our portfolio and participate in newer molecule. And this again connects back to the point I made during portfolio that one of our focus areas is loss of exclusivity molecules, products which are going off patent. There are at least 500 products across therapy areas, which will go off patent in India in the next five to 10 years. And that provides a huge opportunity for us to participate in various therapy areas.

May be the last business that I will talk about is Consumer Health. Again, I have personally handled consumer health businesses for more than a decade in my past lives. So, this is a business which offers huge opportunity and what are the two or three key elements of the consumer health business model that we are following. So, we are not into direct OTC launches. I repeat we are not in the business of direct OTC launches. We are in the business of RX to OTC launches. And why do I say that, when brands like Digene, which have been in existence for years have built a very strong prescription base, but over a period of time doctor shift from prescribing an antacid to maybe preferring proton pump inhibitors or H2 receptor antagonists and at the same time patients are so used to self-medicating with products like Digene that offers an opportunity. So, these brands have a relatively low prescription base, a very strong retail availability base and a very strong consumer awareness. And regulatorily products like Digene can be taken OTC.

Another product which as we speak regulatorily has gone OTC is lactulose. And I wanted to make this point when we are getting into Duphalac but we will come to that for the future. We therefore have Digene which we have taken RX to OTC and we have seen, despite the COVID and other issues, we had a 8% plus growth in the consumer health business and this year we have seen a very strong rebound as far as the consumer health business is concerned. One thing I mentioned is the RX to OTC switches. Second, there are a couple of questions about portfolio. Now, OTC is not about more products, it is about more offerings within the product. For example, within Digene, we have the tablet, and we have the liquid, we have launched something called a stick pack. See, sometimes patients might not want for temporary relief of acidity to buy 150ml bottle, what is it that they can do, there is something called a digest stick pack a one dose, you keep it in your pocket, you're on the go. You just take it off, squeeze it in, throw it away, you get immediate relief. Not to say you don't have tablets, you have tablets, but there are some patients or some consumers who prefer liquid over a tablet. They don't want to chew it; they just want to swallow fine. So, we came up with a very nice innovation, which is doing extremely well right as we speak a growth driver called Digene stick pack.

Similarly, as you are already aware, Eno is a very strong market participants, there are a couple of other brands in the effervescent powder category. So, we launched Digene Ultra Fizz in the effervescent category. Right now we are in the stage of making the product available everywhere at some point of time, we will start the consumerization. So, today, we have expanded the portfolio from Digene tablets and liquids to multiple flavors within the tablet, multiple flavors within the liquid, to getting into a stick pack, to getting into an ultra-fizz, multiple offerings within the mother brand. This is what we call brand architecture or lifecycle management. So, that the one brand Digene can be a source of relief of all types of acidity in all times of the day, in all types of circumstances, for all types of patients. That's a kind of product basket offering that we are giving, the same thing we are doing in the pain category. We are launching Brufen gel as we speak, we launched Brufen spray, it's already crossed the financial milestones that we had set up for that particular brand. So, we have multiple brands in the topical anesthetic spray category, we have launched Brufen spray, as we speak we are getting into the Brufen gel category. The Brufen oral solids is currently not regulatorily OTC so we cannot, but at some point of time once Ibubrufen goes OTC, we will switch the oral solids OTC as well.

The other product that we have switched is Cremaffin and what we cleverly did is we positioned Cremaffin Plus as the prescription alternative while we switch Cremaffin OTC. So, now there is a Cremaffin for consumers with direct-to-consumer initiatives and there is a Cremaffin Plus for prescribers. So, we have very clear distinct positioning one milk of Magnesia with Sodium Picosulfate, one plain milk of Magnesia and there again in Cremaffin we have come out with the stick pack for occasional users. It's like what happened in the shampoos category. The sachets changed that category and we would like to emulate the same example even in the antacids or the laxative categories. Now that was as far as the OTC it's, a convenience and low outlay pack. Where do we go from here, as I said we want to significantly build the current categories which is acidity, laxatives and pain, we want to build mega brands, 360-degree brand architecture and grow this current brands as we speak. We are also very happy that the government of India has finally come out with OTC regulations. For all these years and decades there was no OTC regulations, I have been a member of OPP earlier, I have shared their access committee. I'm currently a co-chair of the CII pharmaceutical committee, we just had a life sciences conclave last Friday at Delhi. And one of the things we always spoken about to the government is why don't we come out with a concrete OTC policy. The good thing and the good news is finally in India, there is an OTC policy and there are a set of brands which the government has said you can legitimately take OTC. Now we continue to work with the government to expand and to get greater clarity on the OTC policy and have more molecules under it, but somewhere we want to thank and congratulate the government for at least having a clarity in the OTC policy and we benefit from that, one of the molecules lactulose is part of that particular list. So, at some point of time going forward, we will see Duphalac as a potential RX to OTC switch as well.

I spoke about all the therapy areas, maybe there is a question on divestment of non-core brands. So, so as we speak, we have some 60 odd brands in our portfolio of the 60 odd brands, the top 10 brands give around 70% of the business. Another 10 brands give another 20% of the business, which means 90% of the business comes from the top 20 brands, and the rest of the 40 are contributing the next 10%. So, it's a fair question and we are continuously evaluating, we look at market attractiveness, we look at brand size, we look at our distribution margin, and we are making choices. So, there are certain brands we might want to discontinue based on their low market attractiveness, low size and low distribution margin and certain set of brands we might look at opportunities where we don't focus but we get into partnerships for greater focus. But as and when we cross the bridge, we will transparently come and share that with you with whatever we can. There's a little bit of NPS as I said earlier, we have almost 75 products in the pipeline for the next five years. And that's broken between lifecycle management, loss of exclusivity, the NPS which are currently patented while losing patent at some point of time. And last but not the least related therapy areas. So, if we are in thyroid, what all can we get it to in thyroid, if we are in the dydrogesterone category, what are the other things that we can get in your way categories or customers.

Medical initiatives, clinical trials, yes we are conducting clinical studies in the space of liver disorders, acid peptic disorders, anal fissures, vertigo, insomnia, hyper hypothyroidism, Vitamin D deficiency, and menopause hormonal treatment. So, there was a question, are we doing any clinical studies, yes. We are doing clinical studies in all these therapy areas. Because we are market leaders, we need to shape the science so we are investing in clinical studies here. We are not participating any global trials. However, we are looking to get global products by conducting clinical studies in India. So, if the Indian patients are included that should be fine.

There's a question on, have you increased any headcount, no in the past we have not increased any headcount. So, the entire growth that has happened by productivity increase. Having said that, going forward in the gastrointestinal space, we are looking at expanding as I mentioned earlier.

That's digital I have spoken, sales spread I have spoken, metros, e-commerce I have spoken. I have spoken about improving profitability before maybe I hand over to Rajiv, that our focus has been to improve gross to net consistently, improve distribution margin, do our operating expense, remodeling and optimization so that we can flow back more resources both to the bottom line and ensure the bottom grows faster than the sales as well as investing back in the business. Maybe I'll take a pause here, Rajiv anything else that you want to cover before you go for any additional questions.

Rajiv Sonalker: Thanks a lot, Vivek. You've covered most of it and made my life very simple. Besides, most of the financial figures are actually available in the public domain. So, I've got very, very little few comments that I have to make. But talking about initiatives for improving profitability, of course, we do this on a regular basis for example, the product mix is constantly reviewed, we try to make sure that our product expiry and our product returns are minimized. We try to see where it is a problem and therefore try to address that to minimize this because this is a direct gross margin loss. We will also try to see as far as manufacturing is concerned, whether we need to insource it or outsource it, what makes more sense today, out of the total manufacturing that we have, we have about 58% which is in-house. So, from that perspective, it is a constant check that we are doing. Sorry, it's not 58%, it's33%, that is in-house manufactured out of the total manufacturing. But if you look at the other initiatives, which Vivek mentioned very clearly, as far as sales, productivity, and things, we really have displayed that very clearly by not increasing headcount but increasing sales. So, that is a very clear initiative.

When we talk about even market expenses, very clearly, with COVID having changed everyone's perspective about how to deal with things, and you can actually do a lot of things virtually, we have tried to maximize that. We do have a balance between virtual and physical contact points right now. But nonetheless, it has definitely benefited, it's also increased our reach, because when you have virtual, you can really have a good reach to your doctor's. So, there have been many of these as clear improvements. As far as product initiatives are concerned, gross margin and profitability initiatives are concerned. There have been some other questions related to growth of insulin business that has grown at about 12.5%, you're talking about top 10 product growth that has also grown at around 13.3%. rate. So, that's all-decent double-digit growth that we have grown. We have some international business, it's only about 2% of the total sales. So, those were some of the other questions which were asked as far as financials are concerned. Let me just check a bit.

There was one question in terms of import of raw materials is about 58% of the total raw materials which are imported. And otherwise, rest of the financial questions were pretty much answered by Vivek anyways, during his talk of all the other products and the therapies and the initiatives that we've taken across. Back to you, Vivek if there are any other questions. What is the saliency of Make in India, so almost 80% plus is anyway Made in India, either through our own plant or through third party manufacturers. We have covered most of the questions on this.

Krupa Anandpara: We will just take follow up questions. And any one of you have any questions. Please raise the hand and ask the question.

Participant: The 26% NLEM contribution does that exclude the Novo business?

Vivek V Kamath: Yes.

Participant: This is our own business. Okay, and one suggestion is why don't you on a quarterly basis give us the split of the Novo and the own manufacturing business. That will help us, because anyway the drivers of that business are very different.

Rajiv Sonalker: That's not really required and we put it as a segment, as part of our segment of a vaccine business anyways.

Participant: The other bit is on the 500 LOEs, is this number of molecules that are?

Vivek V Kamath: Yes.

Participant: 500 molecules in India losing pattern over the next.

Vivek V Kamath: Yes.

Participant: Fine. And out of that, what is our opportunity. Depending on the therapy areas that we focus on, if you can just give us a sense of what therapy areas these are and what is the opportunity for us.

Vivek V Kamath: Can I get your first name dear?

Chirag: My name is Chirag I am from DSP Mutual Fund**.**

Vivek V Kamath: So, Chirag as I said, our pipeline has 75 molecules in the next five years. Now, what is that delta because this 500 will have diabetes, cardiovascular care, it will have all therapy areas. So, amongst the ones that we have out of the 75, at least 50% are going to be LOE. So, on an average, we will have at least 15 to 20 LOE within our own thing, within Abbott India Limited.

Chirag: That is very helpful. Thank you so much.

Vivek V Kamath: Sorry, the gentleman behind you has raised his hand, yes please.

Amit: Hi, I am Amit from Canara Robeco, I have two questions may be both directly to Rajiv. One is on margin improvement, so in last four years, sample size from FY18 to FY22, what we have seen a significant margin what we have seen both at like gross and EBITDA, but when we say that large part of the things are coming from the productivity increase, but in this four years now we have seen EBITDA margin improvement of 600 basis points or six percentage point. So, if I bifurcate the 600 basis points, 400 basis point is coming from the gross side and 200 basis point is coming from your OPEX side or other expense side. So, coming to the cross side, because I've given you the background, what is the potential for further improvement in this thing, because I think so largely it could be coming, that is my assumption, that as you grow faster in your core portfolio and little lesser in your insulin portfolio, that is bound to go up, but I just wanted to know how this mathematically work, because what I see evidently, there is a 400 basis point of improvement. Second particular point, what I have seen is that OPEX, which is like other expenses falling by 200 basis points in this last four years, half of its actually because of Indices adjustment, because a rental has moved out and moved to the below a EBITDA. But still I give a credit to that particular point is still there was some kind of operating efficiencies, you guys are brought in. Still, that half is covered by the less expenditure in business promotion or traveling, et cetera. So, where do we see that potential to further take a benefit or take an operating leverage playing out in this, because in OPEX side actually I haven't seen any operating efficiency placing out. So, these are the two things, because one is rental and one is just COVID, and hence your business travels were not there. These are the first part of the question and second is that I'll conclude is that we have Rs 2500 crore of cash. But when we see other income, we see only 80, 90 odd crores, I was like this is only 3.2% as a yield, as a treasury function. I'm just not able to comprehend why such a slower rate because at this particular COVID period, also we were getting at least corporate that adhere to 5 to 5.5. So, just any explanation on this.

Rajiv Sonalker: Okay, thanks for your questions, good ones. So, let me go in the same order. When you talk about your gross margin, you're right, there has been a larger growth rate as far as products are concerned versus insulin, and therefore you get a better margin over there. You asked about how it would improve going forward, I can't really talk about that you've seen the kind of inflation which has happened now is touched seven, seven and a half percent, exchange rate today is gone beyond Rs.81 to $1. So, that's very, very difficult to tell. There has been a lot of initiatives taken by procurement team and the manufacturing teams in trying to make sure that the COGS is really kept under control. Besides, of course, the fact that the product mix has changed. As far as the OPEX is concerned, I agree a lot has also been a big benefit because of the COVID situation, traveling has come down a lot of other functions came down, employee engagements became more virtual. So, a lot of those things happened, but that you rightly also said that there has been a little credit to the management for controlling the spend. The spend control, as mentioned even by Vivek in his talk has been there when we talk about managing the right deputation of people in the right geographies when you talk about PCPM is really per capita sales per month. And that you have to keep controlling and making sure that you're going to the right location. So, automatically, you're also controlling your OPEX there. And even when you talk about other spend, whether it's travel and others, we are very conscious of people traveling, we are not just saying that okay, let's travel by like revenge travel, as a lot of people are talking about in many touristic situations and business we are very much seeing if we can do it, virtually why not, so that's the other control.

Sorry, and your last one was on the treasury front. Yes, we have a lot of funds, our cash position is very clearly growing, but we do invest only in fixed deposits the reason being that we are very, very sensitive to capital security and liquidity. And that's our primary thing. Our funds should be available for the business. So, it's very much controlled there and if you see the fixed deposit rates, they have nosedived completely. So, what you're saying is absolutely right, in a previous years it used to be around 5%, now in the last one year or two, you will see it's come down to around 2.5% and 3%. So, that's the reason why overall, your interest rates have also come down.

Amit: So, in that manner, so I still not able to get it sorry Rajiv for this thing, because even I say, because in COVID we were not looking actively for some acquisition, Rs 2500 crore. Actually, it was not even the liquid fund returns, that's what were the things we're trading, if I want to park at least 80% of that particular fund for a one-year FD, SBI was giving 5%. So, I'm just not able to understand, still I'll pass this question and move to the some other things. One thing is that last COVID because we were more prudence in like in terms of behaving in COVID and hence are we actually did not, we enhanced strength and everything may be that could have been a little not so much in aggressively in the market vis-à-vis some other competitors. But my question is that we did not gain materially in terms of benefit or losses, benefit in the sense, we did not have any COVID product, hence we did not get any material benefit from the sales point of view. And also on the OPEX side, what I saw is that our OPEX also did not dip that much, because we continue to pay whatever didn't work to our people. But in this case, when things are coming back, post COVID where do you see this operating expense moving, whether you see that as business function improves, or any promotion, new product introductions, is there a chance that this OPEX line or operating expense could expand or have some kind of a negative impact there by like some pent-up expenses coming in this particular hence, for a year or so this line item could actually done by a percentage or so?

Rajiv Sonalker: I don't see any unspent expenses, which we are holding back and we are going to start spending heavily on that. There's no such thing, we have been having spent on what is relevant for the respective years, though it was definitely much lesser because of COVID. But even now, as you'll see even by June end it's a controlled spend.

Amit: And just final question before I pass on, one thing is that we recently heard that there is a UCPMP is going to be more stringent and they are also like already some income tax norms have been changed in terms of how the gifts and those things are being taxed, or at least TDS has to be deducted on those particular part, if something has been passed on to the doctor, which is more than Rs.5000 in that case, I assume because that's the feedback which I always get about that we are not into that particular thing. So, when the industry takes some kind of knee jerk because of all these unethical practices gets curtailed out, do we tend to benefit out of it where we have lost in front of competition?

Vivek V Kamath: So, firstly, I'll give a little bit insight into your earlier question. So, if you see, because you spoke about operating expenses, if you see the years 2020, 2021 and 2022. 2020 was a full lockout on for a couple of months. 2021 was not exactly a lockdown, but there are a lot more instances in the severity of COVID and 2022. Actually, if you see the team was fairly spread in terms of working. Now, how did expenses change, if I look at expenses there are broadly promo and then there is field force. Promo did not change in entirety, the mix of the promo changed. So, from physical maybe a leave behind literature or detailing, et cetera we invested in web CMEs, tele detailing, those kinds of digital. So, what happened is there was no face to face, what there was tele calls, there was a WebExs, there are Teams, so the entire mode of promotion, in fact not only promotion even the doctor patient relationship changed, there was tele consultation rather than face to face consultation, even today if you go to certain doctors, you'll see they'll put up a plastic and they keep at a distance when diagnosing a patient, et cetera. So, promo as an amount remains the same, the mix changed. Now as we see it, and both in 2020, and 2021 which is a mix of physical and digital. In fact, in business they call it phygital, and hybrid and all. Now coming to 22, we are slowly seeing all the physical inputs and activities and promotion coming back, even CMEs, for two years there are no physical CMEs, then slowly last year end it became hybrid CMEs. Now you go to see any doctor event, it is full physical. So, now it's, coming back, so promo remain the same, the mix changed.

As far as the selling expenses is concerned, I'll break into components, payroll did not change. Because that as far as inflation you need to give increments to people, incentives did not change, because the colleagues were still promoting, meeting their targets, et cetera. What definitely went down is your travel because there was no physical travel. But again, within travel, when people work, whether physically traveling or digital, you still need to give them their daily allowances, et cetera. So, what if at all we saved was maybe the physical travel, intercity, inter town, et cetera. You're absolutely right that went down and that as we speak is going up. So, as a business, when I manage my P&L, I have to be conscious, that travel got reduced for two years. And slowly it is coming back and I need to manage my mix, I need to manage my distribution margin, I need to manage my mix of spend and still grow business. So, one has to be conscious, so when you ask that question, these are the thoughts that are going through my mind.

You asked about UCPMP, we come to UCPMP. Right at the start I mentioned that I have four objectives at a personal organization level, grow faster than the market, bottom line faster than sales, talent and compliance. We are 130-year-old organization because we believe in a certain way of doing business. We would love to have an even playing ground to your question, whether we see a benefit, because certain other organizations might not be able to do what they would have been doing. Right now, it's a little bit of watch and see and speculation. I can give you an English answer. I might not be able to give you a mathematical answer. All I can say right now is, we are happy that the government is bringing in a regulation to ensure that we all do business the right way maybe, I'll stop at that.

Participant: Thanks for the opportunity. I have two to three questions. First one was again on Duphaston I think you did a fabulous job of giving us a lot of insight into it. But just a little bit of a follow up on that. From what you indicated, the gynac channel as well as the IVF channel. So, specifically on the gynac channel, was it that duphaston was being used for a different indication than what it was typically prescribed in IVF. And your field force wasn't necessarily as well trained or didn't have as well as good an outreach, is that one of the causes that you would say led to it or could you throw a little bit of light on it?

Vivek V Kamath: Sure. You are absolutely right. The indications are different for what it is used in an IVF clinic, as compared to a gynac, normal gynac. But it's not just about capability. It's also about share of voice, if you are a doctor, and I'm coming to you twice a month and asking you for prescriptions, you give me prescriptions, suddenly 41 people are coming and many of them with large team sizes. Then there is a tendency for the doctor to give share to the multiple players. In IVF, the stakes are extremely high, the outcome expected by the IVF doctor for the family, which is going in approaching is extremely high. And it is not a share of voice gained because the number of players are lesser. So, here, I have a larger cohort of doctors, and it is also a share of voice game. Whereas here, it's almost like a key account management, indication is different but the stakes are very high. The chances that the doctor would take maybe in not so critical indication is higher than in a very critical usage like IVF. So, there our product quality, our product differentiation, our relationship over the years, and the fact that it's a relatively smaller cohort with the high business concentration has helped us, hold it's almost like a key account management. Whereas here when 41 players with large field forces have come, the doctor also needs to give a share of prescriptions to everywhere. So, if you see in gynac we are growing, but we have lost share, if what you were alluding to was true, then we wouldn't have grown. So, the good thing is we are growing, the issue that I'm facing is I'm losing share, when I was one, I had a certain share. Now when I'm one amongst the 42, I have a certain share, but good thing is I'm growing year-on-year, compared to even when I was the only one with respect to gynecologist. So, my team is doing a good job, but there are too many players in the category as we speak.

Participant: In fact, what amaze us was, when we looked into it, we saw that avid global itself had come out with a press release a few years back, I can't date it exactly you will obviously know better about it, about the increase in usage of the fashion for various other indications beyond. So, we in fact expected that, Abbott would be able to take it up in a much better manner.

Vivek V Kamath: No, I am now amazed that you are remembering this because you're right, there are 11 indications for which Dydrogesterone can be used. But again, we don't dictate that we only communicate that to doctors, the doctors have to choose in which indication they are comfortable to use a certain set of therapy. You are right, the 11 indications, but there are broadly three indications where maximum usage happens.

Participant: Just a couple of other questions. Second one was both for you and Rajiv as well again this question probably has been asked to you, this was on the capital allocation that holds sufficient cash, you have indicated the various uses, which you could potentially put it to. But could you give us a sense of should we expect payout ratios of 70% to 80% or more just to give us some broad sense, you have sufficient cash, you are not even talking about what will be the existing cash, we're talking about the future cash which we generate, could you give us some range of at least what kind of payout we should expect. Thanks.

Rajiv Sonalker: I am sorry, we can't give you any, thanks for your question but, we are always looking at opportunities for organic growth or inorganic opportunities for acquisitions that is always the case and I really cannot talk about what to expect as far as future is concerned. Thanks.

Vivek V Kamath: Maybe I'll quickly respond in another way. Since finally, it's your money, you are share shareholder, I'm right now a customer of your money and you know this far better than I do the kind of valuations that are going on in the marketplace for buying anything. So, I'm a little hesitant to pay those kinds of valuations for inorganic, let the payout be answered by Rajiv. But, when we got in the market, it's not that we are not scanning the environment, we are hungry, but we want to be prudent. It's your money, it's the shareholders money. I don't want to pay a certain multiple for my vanity, somewhere we need to be clever about that. So, that's where we are. I don't know if I answered your question.

Participant: Thanks. Last question was, wanted to get insight of what are the key KPIs on which the senior management is evaluated. We understand how you are incentivized that you have disclosed that in the annual report, but what are the key KPIs on which you are measured?

Vivek V Kamath: I will tell you what are my KPIs, what I hold dear to and what I hold myself to. One is evolution index, am I growing faster than the market or not. That is the most important thing, I might meet my numbers but if I'm not growing faster than the market, I'm letting my shareholders down. So, I need to grow faster than the market that's number one. Number two, clearly, I need to execute financials we are all in the financials game. Third, I need to build both a talent and a portfolio pipeline, I need to build the future. I'm not here just for here and now, I'm not here only for the operational excellence, that is anyway every integral part of what I bring to the table. So, we continuously will look at operational excellence, we'll continuously look at reevaluating the operating model, but building the future. Fourth, and very important for me is compliance, processes, the way we do is as important as what we do. So, if you ask me, these are the four things very important to me. Evolution index, exceed financials, build a talent and a portfolio pipeline, basically build a future and fourth is processes. These are the four things, that I tell myself every day before I wake up, and after I wake up and go before I go to sleep.

Participant: Thanks, those were the questions.

Sonal Gupta: Sonal Gupta from L&T Mutual Fund. So, just in your opening comments, you mentioned about partnering with organized retail players. So, could you just expand on that, and also in context of what we're seeing is that a lot of these organized retail players are actually doing their own private label brands, and especially for you, given that you are having a fair number of RX stores OTC, or the OTC like portfolio, isn't there a risk so just wanted to get what are you thinking in terms of this overall evolution on the channel side as well?

Vivek V Kamath: Sure, thanks. So, we all on the same page as to where this channel is coming from, where it is right now, and where it is going to go. I think that's an open secret, we all know that the channels are trying to right now get a consumer base and at some point of time, they might be offering end-to-end offerings including medicines which is fine. But as we speak, they are an important channel, they are grabbing share, we cannot not play in that segment. Also, I have big brands, when patients prescriptions see the kind of discounts that these people are offering, again, not given by me or another organization but wherever they get the money from the patients would tend to go and buy from those. One of the options I don't want to leave on the table is my prescription getting substituted. Therefore, I have to partner with them for ensuring my product is available. So, this is just like an offline channel. When a product is introduced, or a product is prescribed, my team goes to the brick-and-mortar chemists and ensure my product is available. Similarly here, my partnership right now is restricted to ensuring that my products are available on online channels. Second, if there is any opportunity to ensure the right information is provided and sometimes you see the information that is provided along with the products might be inappropriate and we as a responsible company are also accountable. So, we ensure that we give the right information.

Now, in the future, if at all they build their own brands, and become a threat we'll see when we come to it. But as we speak, I have a very sharp, limited objective. When my team goes and generate prescriptions, when doctors prescribe my products to their patients. And if those patients go to those online channels for the hefty discounts that those channels are offering, I want to make sure it is my product that is being made accessible and available to the patient, I do not want to be out of that, otherwise the entire loop would get broken there. So, right now I'm focusing on that, in the future if they do what we are discussing they might do we'll cross the bridge when we come to it.

Sonal Gupta: And sorry, a quick follow up and it's a basic question.

Vivek V Kamath: I hope I answered your point.

Sonal Gupta: Yes, got your point. So, in terms of like, are we restricted in terms of which are the areas we can operate in like you because you mentioned that 500 molecules are going off patent only 15, 20 would be under your gamut. So, I'm just trying to understand like, these are the only therapy.

Vivek V Kamath: I have no restrictions. It's just that strategy is about making choices, choices of where to play, or choices of what to do and what not to do. Right now, my focus is, let's face it I have 10 big brands, 100 crores plus brands. I have another 10 brands, which are maybe 5 million to 15 million, have a choice. Do I spread my resources thin and be all over the place, or do I grow these particular brands. So, we have big brands, we have midsize brands, we have NPIs, I want to play, it's all about where to play and how to win and I also want to play in areas where I have a right to win. Tomorrow, if I get into a therapy area, where I don't currently have a right to win, the incremental cost of building that right to win compared to therapy areas where I already have a right to win is not a very feasible option. So, I don't have any restrictions as we speak. But it's all about the choices that we make. So, we evaluate every therapy area. So, you will notice that we are getting into incremental therapy areas. But those incremental therapy areas, we want to be very careful in choosing those therapy areas. So, that those are the therapy areas where we have a right to win and we are able to build the mega brand culture the way we have built in the current therapy areas. So, if you see we are into metabolics, we are in GI, we are in women's health, we are in constipation, we are in mental health. So, very, very diverse therapy area spread. So, no restrictions, but we just want to be choosy so that the therapy areas we participate, we have a right to win, and we are able to deliver the results.

Sonal Gupta: Got it, thank you so much.

Vivek V Kamath: Thank you so much.

Tanmay: I'm Tanmay from SBI Mutual Fund. Sir, one question on Duphaston again, like you very well explained about the usage in IVF, as well as gynecologist what percentage of the prescription or usage will be through gynecologist and through IVF, because you also mentioned that you've not lost share with IVF just wanted a context there?

Vivek V Kamath: Correct. So, when the generic players started, it was a higher share in the IVF and the lower share in the gynacs. So, in terms of market expansion, the bigger market expansion has happened in gynacs versus IVF. Because the IVFs were already there, in fact in COVID if at all the IVF cycles got restricted, if there was no COVID it's quite possible the two lakh plus IVF cycles would have happened in 2020. So, last two years, because of COVID, so we are right now expecting in the coming quarters, the IVF cycles to really, really go back. COVID wasn't a time where families were going to IVF centers, to avail of that particular opportunity. So, that was a little bit of stagnant, we are now seeing an uptick, but now it's almost a 50:50 at some point of time. So, now, to be very honest, the gynac segment is where the growth is happening, because so many players a huge doctor, outreach, more number of doctors have also started prescribing so there's a lot of occasional prescribers which are coming into the gynecology space, which were earlier not prescribing dydrogesterone.

Tanmay: Understood. When we look at one of the competitors, who has a field force, probably four times the size of our field force, is there a thought process of enhancing our field force for Duphaston especially into say the extra airborne or Tier two and Tier three cities for us?

Vivek V Kamath: Are we for Duphaston getting into extra urban, the answer is yes. The operating model would be a mix of our own as well as other revenues. In due course of time, you will see that, will I match the competitor that you are mentioning, maybe no because that is their business model. If you see therapy area after therapy area, take GI, my competitors have larger field force, I have greater rank and share. So, we have a very conscious focus on quality of voice, efficiency, effectiveness and productivity. If we believe we are reaching a saturation in that and we need to expand we will not hesitate too. But right now, our priorities are not only reach that's organization priority. My priority is to consistently grow and consolidate so.

Tanmay: Sure, thank you. Just one last question is, what are your views on the trade generic business, and is there some trade generic business that Abbott India does?

Vivek V Kamath: Okay. So, right now as we speak, we are not in the trade generic business. What are my views, the trade generic business is an opportunity that exists in the marketplace. Why am I not into it, because I have a lot of other opportunities as I said earlier, strategy is all about making choices about what to do and what not to do, whether I would get into that business at some point of time or not. I don't know if that topic is on the table as we speak. So, right now, if you ask me, my priorities are building the top 10 brands, the next 10 brands, NPIs, channels, geographic expansion, creating category, therapy area awareness, diagnosis, having said that, it is an opportunity that exists in the marketplace, like multiple other opportunities. So, would I get into it or not is a good questions. I haven't crossed the bridge yet so.

Tanmay: Sure, thank you so much.

Vivek V Kamath: Thank you so much.

Participant: Thank you for the opportunity. Just one question from my side, so, there is a talk about trade margins getting rationalized. So, what are your views on that and how will it impact Abbott?

Vivek V Kamath: So, I will answer the second question, how will it impact, for Abbott India Limited, we do not have a significant presence in business avenues or therapy areas, which will be impacted by the trade margin rationalization, the trade margin rationalization is more applicable to products, like your colleague mentioned, the credit generics, where may be more than the 10% and 20% margin is given as a business model, or maybe to certain key accounts. And I will also want to wait for more clarity, once the law comes. So, to your first question of, what are my comments, let the law come, we will understand that. And as a responsible organization, we will comply with whatever law comes so, that is my stance as far as the law is concerned. But from what all we have heard so far, we don't have a major impact, because we don't operate in those kinds of businesses.

Participant: And just one more question. So, this is I think, on the financials. So, we have seen this trend of professional fees increasing over the last two years, it's almost doubled. As a percentage of revenue has gone up by around 1%. So, can you throw some light, on why the increase?

Rajiv Sonalker: So, that also includes a lot of automation projects and things like that which we have incorporated, especially in these last few years, there have been a lot of automation that has come into that we have implemented during the years. So, that's really contributing a lot more to it.

Participant: So, as a percentage the sustain is what we should look at. Thanks.

Dhawal: Hi, this is Dhawal here from Mila Mutual Fund. I had a question, the majority of the profit pool today for the industry is still with brands and it has been like that for many decades. Now that the distribution channel is getting consolidated in the true sense be it offline, or even online. So, earlier 60,000 stockiest, now they're getting reduced by the day, and Glaxo Pharmacy is also getting consolidated. Does the profit pool in the next five to 10 years shift more towards the channel versus the brands over the next five to 10 years, or do you think it stays the way in which it is today?

Vivek V Kamath: So, firstly, I'm not sure if I have understood your question correctly, but, I will attempt and do let me know if I completely read it wrong. Are you alluding to a consolidation of trade channels and trade channels becoming a dominant player compared to the weight that currently brands hold, is that the question?

Dhawal: No. So, if I look at the distribution channel today right, even in the offline space a lot of wholesalers are getting consolidated into one entity similarly, online guys are also consolidating a lot of distribution that you're trying to look at. So, eventually wherever in industries where distribution has got consolidated into fewer hands, the profit pool is classically shifted towards their favor. Do you see that happening and we having a dent so today classically we're spending 30 percentage into wholesalers and retailers combined, do you see that denting over the next five to 10 years for you as well as for the industry?

Vivek V Kamath: Sure. So, from a trade margin perspective if you actually ask me, this 30% is one of the highest globally. I have worked in Southeast Asia, I have worked across countries, if you go to Zuellig, if you go to DKSH, they don't 30%. So, from a margin perspective, we have operated like a consolidated because the industry anyway didn't have a leeway. So, if you get into the pharma industry, you had to give 10% and you had to give 20%. In fact, many companies give much over and above that. Now, once we see a, firstly the pace of consolidation, India is a vast country. There are a lot of distributors, I have been seeing this point about industry consolidation for the last 30 years since I joined this industry, every presentation, every deck that we made to global we said the trade will consolidate, trade will consolidate today, despite so many brick and mortar as well as online chains, we still have the mom and pop, chemists and the distributors, they haven't disappeared. So, at least in the next couple of decades, I don't see the kind of distribution consolidation up to the last mile, the way it has happened in Southeast Asian countries, and if you go to something like Philippines, you've got mercury, which holds 55% of the industry, but again they might not take 30% and we are not Philippines. So, if you if you ask me to think a little bit ahead, for the next couple of decades, I don't see this industry consolidation. In fact, the current industry association has also tried consolidation, various other partners who also get the Zuellig's have tried, the DKSH have tried, there is everybody who has tried, there are non-chemist industries which have tried, you have got Tata in pharmacy. So, everybody is trying everything, India is a slightly difficult country to consolidate right up to the last mile, which is both the chemist and the, having said that from a margin, we have this body which has been controlling this entire margin thing and they have been pretty strong all these years as well. So, I do not see a huge shift from our margins to trade margins, and I do not see Walmart's or these kinds of giants coming here and completely changing the scene. Again, you never know what might happen in the future, but at least right now in the foreseeable future, we don't see that possibility.

Participant: Thank you for having this event. On to first one again, have we reached a place where we can now grow more than the market, are we still going to cruise towards in the market for some time?

Vivek V Kamath: Okay. So, let me explain it like a curve. As long as the number of players are increasing the way it has happened in the last couple of months, it is difficult to grow faster than the market, because the market growth is driven by newer entrants. Having said that, what do we foresee we have in the last two years in the first year seen maybe two or three players, in the next year, seen maybe five to six players, in this year almost 20, 25 players. So, right now everybody is getting excited at this opportunity and entering at this rate with we having a reducing share of voice and share of spend, we will not be able to grow faster than the market because the market is being driven by newer entrants. Having said that, we do see a consolidation. So, even as we speak, we saw the market grow up and now we are seeing the market plateauing. A couple of more quarters and this is something I have seen in multiple LOE situation. This is like a classical loss of exclusivity or LOI situation, the moment the patent expiry happens, you get a rush of entrants, you must be seeing it in Sitagliptin right now, rush of entrants, over a period of time consolidation happens, and the number of players go down and only the few strong ones remain, that is what we perceive, we feel will happen in the quarters to come. So, right now, for a couple of quarters more, I will not be able to grow faster than the market. I will not give a false hope. But I will continue to grow, but not faster than the market as long as the numbers are increasing. Once the consolidation happens, I will beat the market.

Participant: But are you growing at the rate at which you were growing before this competition came in?

Vivek V Kamath: Yes.

Participant: Your absolute growth is it in line with what it was?

Vivek V Kamath: 2020 was bad, 2021 we got back to that growth, 2022 we are at that growth.

Participant: Second question sir, is on the dividend payout. Like you said, you are custodian of our money. We would like to give a feedback that we want a better payout. We're not happy with the payout, you have got enough money and you have enough cash flow generation, I think you can have a better payout.

Rajiv Sonalker: Thanks. Your feedback is noted.

Participant: Thank you. Thank you for the follow up. There is this rendering of services for Abbott Healthcare. Can you just explain the nature of the services that we render to them, and what are the commensurate costs attached to that Rs 53, 54 crores service income that we show?

Rajiv Sonalker: Sorry, can you repeat that question, I didn't catch it.

Participant: There is a rendering of services that we do for Abbott Healthcare, this is a 54-crore income.

Rajiv Sonalker: So, the office that we have we have taken it on rent from the Abbott Healthcare Private Limited. And that's the rendering of service, that's one. And the second is we also had to revisit over time on people who are giving services. There were a lot of Abbott Healthcare, people giving service to AIL, Abbott India Limited, and vice versa. So, that's what we had to review, we revisited all of those activities and then arrived at a new service agreement between the two.

Participant: This is an income that you are reporting it on.

Rajiv Sonalker: Yes, so that's where the income was, because we were giving them higher services. So, that's where it came in, we did have even if you see in the intercompany payments, there was an increase because of the rent. I answered both sides of your, intercompany expense as well as the income.

Participant: No, so the income is because we are rendering some services to Abbott Healthcare and they're paying us for that?

Rajiv Sonalker: That's right.

Participant: And what is the commensurate cost attached to this rendering of service?

Rajiv Sonalker: So, that's across it is not a standard equation, it is across depending on the level of support that we are giving and the level of a person who is rendering the service.

Participant: So, is this rent related, is this market activity related or is this business support?

Rajiv Sonalker: Business support.

Participant: Okay, thank you. And just from these disclosures that you give on the injectable sales, if I back out the purchase of injectable and from the sales of injectable, it seems like a very low margin piece. This is entirely the Novo business, or is vaccines also included in this?

Rajiv Sonalker: Vaccines also are included.

Participant: Within the gross margin, this seems very little Rajiv Sonalker.

Rajiv Sonalker: Yes. So, I can't really talk about specific breakup of the two because we do give it as a consolidated. But it's both included.

Participant: And just the difference of beyond this difference, there's nothing in the P&L related with the Novo business right, just below this gross margin line item?

Rajiv Sonalker: No.

Participant: Okay. Thank you

Participant: Hi. Can you give some breakup of your last five-year launches, how much would it be line extension, how much would be new product launches and similarly your product pipeline which your talk spoken about the 75 if I'm not wrong, how is that mix and is it as you said the focus therapies would be the therapy. So, the new product launches would be in those focused therapies only?

Vivek V Kamath: Okay. So, new products are in focused therapies plus in some allied therapies, not entirely only in our current therapies, because as I said earlier, our new product introduction strategy has three parts to it. One is lifecycle management, which is expanding line extensions of existing mega brands to make them stronger and cover more patient need gaps. Number two is LOE, so first is LCM, second is LOE. So, we have every year three to four loss of exclusivity molecules across therapy areas that we will be getting into in the next five years, then we have a allied therapies. For example, we are in hypothyroidism, we have certain molecules, which fall around that therapy area, which we are not present into. So, it can be related to therapy area to slightly distinct therapy area, but I might not be able to give you exact molecules as we speak. So, we have all these three splits of LCM, LOE, as well as related therapy areas as well as new therapy areas.

Participant: Yes, for LOE and allied therapies if mix was something x five years of last five years is that mix improving dramatically in next five-year pipeline or three-year pipeline, if you can give some color of that?

Vivek V Kamath: So, improvement might not be the right word, because the improvement finally is in the commercial success. So, if we say that we had more LCMS and less LOE, now we have more LOE and less LCMs. I wouldn't know whether to call it an improvement or a rigorous step. So, that is a little bit qualitative. So, in the past but since you asked this question let me tell you in the past, we have worked on lifecycle management, we might not have worked as aggressively on LOEs, we might not have worked as aggressively on other therapy areas. So, if you ask me in the last three years, I have launched 35 products, in the next five years, I want to launch 75 products. Where is that delta coming from, not as much in lifecycle management, but on LOEs and other therapy areas. So, that's how the mix will change.

Participant: And one question, Duphaston, you also launched Progesterone, the molecule, which is sort of overlapping medication, what's the strategy over there and are there similar strategies in your existing therapies where you're launching existing off patented molecule which is well penetrated. Till now you were mastering dydrogesterone and you launched this thing microbial Progesterone, and this therapy Sun was already there as a sustain as the key brand. Can you explain this step which seems?

Vivek V Kamath: Yes. So, there are two aspects to this. One aspect is covering the therapy area. Second is the go-to market and maybe I'll talk about the go to market for example, Cremaffin and Cremaffin Plus are in two different businesses. So, similarly, Digene, Digecane and Digeraft are in three different business lines. So, from a go to market, we might have a customer overlap, but we have different lines of businesses focus on a certain set of products. So, that is the go-to market so we might see an opportunity, because we are strong in women's health. We might be strong in antacids, we might be strong in laxatives, but when it comes to a go to market model, we ensure there is no cannibalization between the same set of colleagues who go to the same set of customers. We will then ensure the go to market enables us to have different lines of businesses carry those products. For example, if you take Thyronorm, Thyronorm is prescribed by both gynecologists and endocrinologists, tomorrow if I have an attractive business opportunity in gynecology, I might not give it to the women's health, I might give it to the metabolic team, which has a very strong coverage of gynecologists. So, we then very strategically play the go to market model so that there is adequate focus on each one of those products in each therapy area, with each customer cohort.

Participant: Okay, one last as a proportion of your overall revenue OTC even though what you give out the number, but on real on ground what proportion of your business gets pulled without prescription because of the brand strength or because of the, you said Cremaffin Plus and Cremaffin. But Cremaffin Plus could also have a repeat customers which would go and go without prescription on the counter to take Cremaffin Plus. So, do you have any data at your overall business level, what proportion of business gets done without prescription and it's sort of proxy, TCO whichever way you want to?

Vivek V Kamath: So, what we definitely have for every brand is sales from IQVIA and prescriptions from SMSRC or IQVIA. But converting that data into a hypothesis that certain patients might be purchasing on their own versus certain patients are purchasing, repeat purchase of earlier prescriptions is sometimes a difficult task. We can invest time and money in doing a proper retail audit to understand how many patients come with an old bottle or ask for the brand versus how many come and do a generic request or how many come without any prescription. But that would again be a little bit of anybody's guess. So, what we definitely have is the number of prescriptions and the sales value or the unit sold. So, we make that correlation, but at the retail level, how many people are going against a prescription is very clear. How many patients are going and asking give me some medicine for stomach pain, how many are saying give me Digene and how many are saying give me Digene because they saw an ad or they were prescribed or their neighbor told them, all these are sometimes a little bit difficult to actually calculate. So, as I said, what we do track is number of prescriptions and the trend and the number of units sold and the trend with that relation we know which is a slightly prescription heavy product and which is a product which has outlived its prescription effort saliency. I hope that's the question you were asking, beyond a point it's very difficult to kind of calculate which consumer is driven by what exact drive to pick up so I would need hardcore syndicated research at the retail level to kind of have those numbers. Sorry, I'll just give an example, Paracetamol is regulatory OTC but there is a prescription, there is a generic headache medicine, there is give me any Paracetamol or the brand names that exist, there are products let me give an example Brufen, Ibuprofen is regulatory not OTC. So, there are multiple products which might not be regulatorily OTC but might be having a repeat purchase, are they because of advertisement maybe not. You understand I'm saying, there is a prescription, then there is a repeat purchase, then there is a subsequent purchase to old prescription, then to neighbors and friends telling, sometimes even doctors say okay take something maybe they don't prescribe and then an actual OTC, OTC, somebody has seen an ad and gone and picked up from a retailer. So, there are multiple sub segments.

Participant: Sir my intention was to know the number of products which were switched from RX to OTC in next three to five years would that number go dramatically, because there will be policy clarity, there will be things and your experience on sales of those products would be very much?

Vivek V Kamath: See in business dramatic is a very subjective word. So, I would stick to an answer that it, Yes it would go up. Now whether it would be dramatic, theatrical, or pragmatic I cant comment.

Participant: How many products got switched from RX to OTC in last three years?

Vivek V Kamath: Two.

Participant: Okay.

Vivek V Kamath: I can see the urge to ask a follow up question, but we can catch up offline.

Participant: Sir just one question from my side, like we have been great historically in terms of creating the category and where any which ways there was a limited competition and so a lot of scope in garnering the business. But going forward you're also referring to the products which would be under loss of exclusivity category, where we have experienced that there is multiple players at one go and steep competition out there. So, I presume it would be a different skill set for getting the business in such kind of product. So, any comments like how do you?

Vivek V Kamath: Sure. So, firstly, let me make a small correction other than Duphaston, in none of the other categories we were the only ones without competition. For example, just to share with you in product like Thyronorm, we were the number two and a large gap number two, we came from behind. And we became number one, because we did enough category expansion, we did the testing, we came out with all the SKUs that the doctors and the patients wanted, we did what was required to be done to become number one, and you can put other than the first one. So, in every category, that's number one. Number two, our entire growth strategy as I said, will have multiple parts, it will not only have loss of exclusivity products, which are a sub segment of the NPI, but it will also have lifecycle management, it will also have expansion of current big brands, it will also have the number two set of brands, the next 10 as we call and if you ask me in terms of where will be the maximum growth coming from, not entirely LOE.

Participant: I get you, but I was only referring to the growth related to the loss of exclusivity.

Vivek V Kamath: Correct. Having said that, a branded generic is that a separate skill set yes, but as I said earlier, we have won that skill set. If you take any one of our categories other than Duphaston, we were not the only ones. We already have multiple brands and good strong brands, but we were able to build that brand for the simple reason. We didn't get into the classical branded, generic way of selling, we got into category expansion, we got into product offerings, we got into patient care, we got into adherence we got into multiple segments so, that skill set exists.

Participant: Sure. And just lastly, as you are referring to go into extra urban, so does it mean in terms of the doctor as a category also we would be shifting let's say from super specialist to?

Vivek V Kamath: Sure. There was a time when specialist did not exist outside metros, that's no longer the case. Today you will be very surprised that forget Bangalore, forget Mysore, you go to Mandia you will find a specialist there. You go to Narasaraopet you'll get a specialist there, I can name you 55 towns, which are not considered metros or class one, you will find a gynecologist, you will even find a gastroenterologist. And in many of these geographies either the doctor is residing, or at least traveling and practicing. And what has happened, that's a good question but what has happened is thanks to COVID the healthcare infrastructure and presence has even more spread because people actually went from the cities to multiple parts of the country. So, you are right, the saliency of a specialist to a non-specialist will change. But then you know one thing that we realized South Mumbai is different from Dombivali. South Mumbai is different from Panvel. So, what we have realized is this extra urban mindset or this classification exists even within cities, a Kolhapur might have a certain set of doctors, Satara might have certain, Nagar might have certain set of, Jalgaon might have certain set of doctors, but do specialists exist, most importantly to patient to exist, Yes. Do all patients come to Mumbai, not anymore. Therefore, we have to go to that particular geography meet whatever, is the salience is the same as South Mumbai, no, I agree with you. But there are specialists, there are CPGPs there are patients.

Participant: Sure, Sir that helps thanks.

Krupa Anandpara: We will stop here. Thank you so much everyone for your time and if you have further follow up questions, please feel free to write to us. Thank you for your continued trust and confidence in Abbott India. Thank you so much.

Disclaimer: This transcript has been edited to remove and/or correct any grammatical inaccuracies or inconsistencies of English language that might have occurred inadvertently while speaking.