



# **“Eris Lifesciences Limited Q2 & H1 FY23 Earnings Conference Call”**

October 20, 2022

## **MANAGEMENT:**

**MR. AMIT BAKSHI, CHAIRMAN AND MANAGING DIRECTOR**

**MR. V KRISHNAKUMAR, CHIEF OPERATING OFFICER & EXECUTIVE DIRECTOR**

**MR. SACHIN SHAH, CHIEF FINANCIAL OFFICER**

**MS. KRUTI RAVAL, INVESTOR RELATIONS**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q2 and H1 FY23 Earnings Conference Call of Eris Lifesciences Limited. We have with us on the call today Mr. Amit Bakshi – Chairman and Managing Director; and Mr. V. Krishnakumar – Chief Operating Officer and Executive Director.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. V. Krishnakumar – Chief Operating Officer and Executive Director of the Company. Thank you and over to you, sir.

**V. Krishnakumar:** Thank you. Good afternoon and welcome to our earnings call for the second quarter of FY23. I am Krishnakumar, and I will be sharing the highlights of this quarter and the first half of the year with you.

Oaknet, our recent acquisition in the month of May 2022 is emerging as a clear success story in value creation through M&A. Oaknet's growth momentum continues with Q2 revenue of Rs. 68 crores and EBITDA of Rs. 16.5 crores, which represents an EBITDA margin of more than 24%. We are tracking to deliver an EBITDA of Rs. 50 crores from Oaknet in this financial year.

Just to recap a bit, we had acquired Oaknet as part of our strategic entry into the dermatology segment. Our thesis was that Oaknet brings in two strategic assets. Firstly, a strong portfolio in medical dermatology with brands such as Cosvate and Cosmelite. And secondly, a good presence

in the specialty with a coverage of 11,000 dermatologists across the country.

Oaknet had a revenue base of Rs. 195 crores with an EBITDA of Rs. 20 crores when we went into the business. Our target was to build the business and achieve an EBITDA of Rs. 50 crores in two years' time, that is in FY24. Accordingly, we set in various levers in motion of execution excellence including, firstly, realignment of the divisional focus with specific product portfolios and doctor specialties to maximize growth impetus and minimize overlap. Secondly, we expanded the bandwidth of the senior team. Thirdly, we digitized the entire field force and got them onto Eris' proprietary Digital Marketing platform to enhance productivity and fourthly, we saw an expansion of the Dermatologist coverage from 60% to 90% in just three months.

We also kick-started the investment cycle in the business by launching strategic products such as Dydrogesterone and FCM injection in the gynecology division and we also lined up an interesting pipeline in Dermatology and Cosmetology for launch starting this month.

A few months into this deal, our growth thesis has been more than reconfirmed with the business having delivered a revenue of Rs. 100 crores in a period of just 4.5 months with Eris. We are now tracking to deliver an EBITDA of Rs. 50 crores in FY23, which is one full year ahead of our expectation at the time of the deal announcement.

Now moving to the growth numbers. As per AWACS, Eris delivered a growth of 19.3% in Q2 of this year versus a market growth of 13%. This is on the back of an 8% growth delivered by Eris in Q1 versus a market growth of 2%. Hence, on a half year basis, Eris has delivered a growth of 13.6% versus the market growth of 7.4%.

We have now entered an era where we have clear visibility on secular growth over the next three years. Let us begin with our Cardiometabolic segment which accounts for 53% of our revenue. This market has bounced back with a 14.6% growth in Q2 after having gone through a one-time correction of 4% growth in the preceding four quarters. Eris has registered a Q2 growth of 21.8% in this segment which is 720 basis points ahead of the market.

In the last six quarters, our Cardiometabolic business has grown at a 12% CAGR compared to the market growth of 5%, once again a lead of 700 basis points. We expect that the Cardiometabolic market will be able to sustain a mid to early teen growth rate over the next three years with 5-6% growth coming in from new products, 4-5% growth coming in from price increases, and 3-4% growth coming from volumes.

We expect that Eris will continue growing ahead of this market by a healthy margin on account of several exciting growth drivers including patent expirations and new product opportunities in the DPP4 and SGLT2 segments, growth from our Insulin, Glargine and GLP1 segments and patent expirations in the Heart Failure segment.

Secondly, let's talk about our three emerging therapies - Dermatology, CNS and Women's Health which collectively account for 21% of our total revenue. Our portfolio in these segments has achieved critical mass with combined annual revenue of Rs. 420 crores as per AWACS. This portfolio has registered a growth of 25.3% in Q2 of this year versus a market growth of 15.8% which represents a lead of 950 basis points. Over the last six quarters, this portfolio has registered a CAGR of 25% versus the market growth of 14%. This represents a lead of 1,100 basis points.

We expect that Eris will continue growing ahead of the market by a meaningful margin on account of several growth drivers including firstly - new launches in Dermatology and Cosmetology; secondly - a force multiplying effect that will play out in the Women's Health therapy with more than 470 reps in the market across two divisions in Eris as well as Oaknet; thirdly - expansion of specialist coverage across the board; and lastly - potential inorganic opportunities.

Zomelis, our Vildagliptin mother brand group continues to sustain its growth trajectory with a monthly run rate of Rs. 9.3 crores in September. This represents an increase of Rs. 1 crore in monthly run rate from the June figure of Rs. 8.3 crores. With this, the Zomelis mother brand has grown 9x, nine-fold in less than three years from acquisition.

In yet another milestone, Gluxit, our Dapagliflozin mother brand group has achieved a monthly run rate of Rs. 5.1 crores in September'22 which represents an increase of Rs. 1.2 crores in monthly run rate from the June figure of Rs. 3.9 crores.

Key new products launched in this quarter include Glura, which is our brand of Sitagliptin, Gluxit S, which is a combination of Dapagliflozin and Sitagliptin, and Raricap FCM in the Women's Health therapy for the treatment of iron deficient anemia. We have an interesting set of new product launches coming up in Q3 as well, including Xglar, which is our brand of Glargine in-licensed from Biocon and due for launch this month.

Coming to the financials, our standalone operating revenue amounted to Rs. 355 crores this quarter which represents a growth of 10% year-on-year. The standalone operating revenue for the first half of this year stood at Rs. 684 crores, which is a growth of 9%. Our standalone gross margin in Q2 stood at 80.2% versus 82% last quarter which is down by 180 basis

points owing to a higher incidence of new products this quarter. The impact of industry-wide raw material cost escalation in our portfolio continues to remain minimal.

With the addition of nearly 200 MRs since the start of the year, our standalone YPM stood at Rs. 5.3 lakhs this quarter, up from Rs. 5 lakhs last quarter. Standalone EBITDA for the quarter stood at Rs. 141 crores, which represents an EBITDA margin of 39.7% versus 38.4% in Q1. Standalone net profit for the quarter stood at Rs. 115 crores, which represents a profit after tax margin of 32.4% and this includes Oaknet related impact on treasury income and finance cost.

Our consolidated operating revenue for the quarter was Rs. 461 crores, which represents a growth of 28% year-on-year. The consolidated operating revenue for the first half of this year grew by 21% to Rs. 859 crores. Consolidated EBITDA for the quarter stood at Rs. 151 crores and EBITDA margin stood at 33%. Consolidated profit after tax for the quarter stood at Rs. 119 crores, which represents a margin of 26%. This is inclusive of all Oaknet related impact on depreciation, treasury income, and finance cost.

The overall margin profile for the first half of this year is in line with our expectation given that FY23 is a year of unprecedented investments including the launch of our insulin business, the [..] Oaknet acquisition, addition of a field force of 200 people, launch of significant new products across therapies and [the approaching] commissioning of a new manufacturing facility in Gujarat.

Our Gujarat facility is on track to commence commercial operations in January of 2023. The total capex outlay for the facility is to the tune of Rs. 170 to 180 crores, of which Rs. 150 crores has been invested till date.

Inclusive of Oaknet, we are targeting a consolidated revenue growth of 30% and a consolidated EBITDA growth of 16 to 17% in this financial year.

These were the highlights for the quarter. We are now happy to open up for questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kunal Dhamesha from Macquarie. Please go ahead.

**Kunal Dhamesha:** Couple of questions. One, the logistic question on the depreciation and amortization which has increased by roughly Rs. 5-6 crore this quarter on a sequential basis. Is this the sustainable run-rate given now we will have Oaknet amortization included?

**V. Krishnakumar:** The second quarter represents the full impact because what happens is the Oaknet acquisition cost of Rs. 650 crores is getting amortized over 20 years. So, 30 crores per year is the rough depreciation and amortization expense from Oaknet alone and the full impact of that is taken in Q2. I would say the answer to your question is yes.

**Kunal Dhamesha:** Secondly, within our let's say Anti-Diabetic pie, what would be right now Sulfonylurea, DPP4 and SGLT2? And how does that compare to let's say overall Indian Anti-Diabetic, Oral Anti-Diabetic market?

**V. Krishnakumar:** For us the presence of DPP4 and SGLT2 is about 35-40%. For the IPM, this percentage is slightly higher because the IPM number includes the patented molecules as well. The IPM number will include Empa, it will include Empa-Lina, it will also include Sitagliptin patented. For us this number from the new age molecules is higher than many of our peers, but it is still catching up with the IPM.

**Kunal Dhamesha:** When I look at the standalone growth which is at 10% year-on-year basis for us and if I look at some of the secondary sales numbers that you have put in where we are kind of growing faster in almost all the therapies that we are present in, but then why would you say it is not getting reflected in the primary number for us?

**V. Krishnakumar:** There are a couple of reasons for this Kunal and I'm sure you understand that on a quarter-on-quarter basis, it is a little challenging to see parity between internal numbers and AWACS numbers. But when we have seen the average for the last four quarters or the last six quarters, then the difference narrows down quite a bit. You still have a 2-3% difference, but it is not as stark as what we see in Q2. We believe that this difference will iron itself out over a period of time.

There is also a second driver and this is something that we will continue to see at least for the next three quarters which is that there are quite a few products in the category where there is some legal thing going on where I don't want to go into too much detail, but these are stocks that are lying in the market which are selling. These come into the secondary sales, but we don't necessarily get any primary sales out of it. So, this is also a contributing factor. It is a mix of factors, but as I said, if you look at it over a long enough time frame, then these differences tend to iron themselves out.

**Kunal Dhamesha:** But the secondary sales that are for those products would have come into your primary sales earlier, right?

**V. Krishnakumar:** Yes, they did, but they didn't come in this quarter. That is the challenge. You are seeing a 10% primary and a 19% secondary in this quarter. The difference is very stark, and that is where I understand this question



comes from, because the 3-4% difference is something that you will have in every quarter.

**Kunal Dhamesha:** Basically, those are as of now discontinued products from your side.

**V. Krishnakumar:** I wouldn't say discontinued, but on hold pending resolutions, I would say.

**Moderator:** Thank you for answering my questions.

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

**Tushar Manudhane:** Congrats on a good set of numbers. At the standalone level, as I see, the year-on-year growth is still 10% where the industry growth is looking better than this. That was one part. Secondly, even the EBITDA margin is kind of slipping down from 41% to 39%. If you could share and comment on both these aspects?

**V. Krishnakumar:** Sure. On the standalone side there are a couple of factors that will come into play which are not visible yet. One is that, both the Q4 of last year and Q1 of this year, they have been very busy quarters in terms of new product launches. But these launches will gain scale, and they will gain momentum in the quarters to come. That is one aspect that will start showing itself up in the standalone numbers going forward.

The second aspect is corresponding to whatever inflationary trends that we are seeing, we have been allowed to take price increases starting April, but these price increases will also start manifesting themselves only in the second half of the year. Because, unless we run out the existing stock in the market, the price increase effect also doesn't come into play. These two factors will start having a bearing on the standalone growth going forward.

The second question was about the standalone EBITDA margin. This is completely driven of COGS, because every time we launch a new product, it comes to us at a lower gross margin. The corporate average gross margin excluding the new products continues to be at around 83-84%. But when a new product comes in at a 70% gross margin, for example, it dilutes the COGS by 2 to 3% points for that quarter. But when these products scale up, when we take the production in-house, we have seen that over a period of time, Zomelis, Gluxit, they have all followed this trajectory. That is the reason why you see a dip in the gross margin which is temporary, and that dip in the gross margin is reflected in the EBITDA margin.

**Tushar Manudhane:** Lastly, while you alluded to NLEM related price hikes and going further it will have a positive effect on the growth going forward. The kind of traction which you are having such as Zomelis and Gluxit set of products, and despite that if the year-on-year growth is effectively 10% as I see on the standalone level, so somewhere in the base portfolio, are we seeing relatively lower traction, and any particular comment out there, and any specific effort to drive the growth in the base portfolio?

**V. Krishnakumar:** The base portfolio anyway took a big hit with where the market was for the last four quarters. Before Q2, we know that, and we have discussed it before, and we have all speculated on the reasons as to why is the Cardiometabolic market growth down to 4%. There were a couple of things. One is that our three emerging therapies, Derma, Neuro and Women's Health have scaled up. Now they are one-fifth of our revenue which is a good place for us to be in.

But till not very long ago, our company was basically being driven by two engines, basically Diabetes and Cardio. Our fortunes were totally tied to

how these markets were behaving. The market in Cardiometabolic is just coming back now. We've had three or four months of straight secular growth and as we see when the market takes a beating, some of the brands take a disproportionate beating. That's something that we have seen over a period of time.

With the market correcting, I would say that most of the brands, products like Zomelis and Gluxit will continue growing at very fast rates. Then we have products like Telmisartan, Olmesartan, Rosuvastatin, which will be in the 10-12% per annum growth category and then lastly, we have the Sulfonylureas like within Glimepiride, we have Glimisave MV, which is growing very fast. But the traditional Glimepiride plus Metformin, that will be more like a 6-7% growth market. Going forward that is the kind of numbers that we see. To the extent that we continue getting into more and more of the Gliptins and the Gliflozins and there are heart failure products coming up starting January, the overall growth traction should improve.

**Amit Bakshi:**

Also, Tushar, the growth in this quarter from an AWACS's point to view is distributed across. It is very difficult to choose. You look at it at any therapy, even at the brand level, the growth is quite secular this time. Though we believe that this could be a little bit of an exaggeration from a growth perspective, but as KK rightly said, three months is not a good time to look at. One month or three months is not a good time. We have seen over years, by the end of the year, it basically tapers down to a level which is acceptable and then remember what KK told, we will be having a 300 to 400 bps difference accounting for products which sell in the market, but we don't get any primary for. This will continue till August next year. That is our clear-cut understanding.

**Tushar Manudhane:** Lastly on Oaknet now that you are already one year ahead of meeting the target of Rs. 50 crores EBITDA, if you could just further extend how do we see FY24 which is like six months down the line? If you could further elaborate on the efforts to be taken in FY24 and onwards with our Oaknet acquisition?

**Amit Bakshi:** Tushar, we are happy with Oaknet. You could imagine a lot of work wouldn't have gone in two quarters or not even two quarters yet. It is just the structural changes which we have got at this point of time which have given some kind of positive vibes. We are quite hopeful about this business. Our thesis on the business as we are progressing, is changing. Now we are thinking about a 30% range kind of EBITDA in the time to come. We have kind of upward revised our numbers, both from the top line as well as the bottom line and it will always happen, Tushar, because Rs. 3 lakhs YPM is a very sensitive point or a sweet spot. Sweet because after Rs. 3 lakhs whatever growth comes, most of it falls into EBITDA. The journey from Rs. 3 lakhs to a Rs. 5 lakhs YPM is always more accretive at the EBITDA level. This being there will show higher EBITDA once the sales grow up.

**Moderator:** Thank you. The next question is from the line of Mehul Sheth from Axis Capital. Please go ahead.

**Mehul Sheth:** One question on your cost part. Your staff cost is almost 50% up YoY, but on other expenses side, it's more of a flattish number on a sequential basis as well. So what this means, can we consider this cost number to be means this quarterly run rate to be continued for next, I mean, it will be a basic quarterly run rate now?

**V. Krishnakumar:** This is a choice we have made because even in the last quarter Amit made this point that the kind of competition and the kind of competitive

intensity that is being witnessed in the new launches at present and specifically in the case of Sitagliptin which happened a couple of months ago, we are not doing anything significantly out of the ordinary in terms of promotion for the new products. Right now we are there in the market, we are participating in the market and we are doing whatever it takes to be there, the bare basics.

The real competition and the real differentiation in the new products, whether it is a Sita or anything else, it will happen 9-12 months later when the dust settles down. It is a very conscious call that we decided to keep the other expenses at the same level on a linear basis for the remainder of the year as well. Going to the second half of your question, we will broadly be in the overall numbers that we have indicated. We have indicated that, thanks to all the investments happening this year, we will be in the EBITDA margin range of 32-33%, and we expect that is where we will end up at.

**Mehul Sheth:** One question was on your MR productivity on consolidated level. You have mentioned about standalone, but what it would be at consol level?

**V. Krishnakumar:** We don't necessarily track this at consol level. We can get back to you. The two biggest entities are Eris Lifesciences and Oaknet Healthcare. Eris is at 5.3 and Amit just mentioned that Oaknet is in the 3 to 3.5 lakh zone. We expect that by the end of the year, Oaknet will get into a better zone in terms of run rate. The average at the consol level, it will be somewhere in between the two numbers.

**Moderator:** Thank you. The next question is from the line of Sonal Gupta from L&T Mutual Fund. Please go ahead.

- Sonal Gupta:** Good evening everyone. On Oaknet, I mean like you mentioned, you have done Rs. 100 crores of revenue in 4.5 months. Should we expect that and even you are almost at Rs. 23 crores of EBITDA, and your EBITDA margin has gone to 24% this quarter. But you are still guiding for Rs. 50 crores. Is there some one-off in this quarter or should we expect that there is a good likelihood that you will exceed the numbers?
- V. Krishnakumar:** We will have to see how the next couple of quarters play out. We anchored it in the Rs. 50 crores number because when we made the acquisition, we had given a guidance of Rs. 50 crores in FY24. There is more than enough line of sight to see that Rs. 50 crores will happen in FY23 itself. That's the reason to pick that number. But in terms of how the next two quarters will pan out, as Amit said we have been in the business only for four months or so. We will be in a better position to answer this once we are through with Q3.
- Sonal Gupta:** On the tax rate, is there some benefit of the Oaknet acquisition which is depressing the tax rate this quarter? Could you just highlight?
- Sachin Shah:** Oaknet EBITDA has been around Rs. 16-17 crores this quarter, but overall if you see the tax impact, we have taken it as around 9% on an annual basis.
- Sonal Gupta:** Tax rate is 1%, right, consol?
- Sachin Shah:** 9%.
- Kruti Raval:** Sonal, at a consol level, it is 1% of PBT.
- Sonal Gupta:** That's what I am asking.
- Kruti Raval:** On the full year basis it is 9%.

- Sonal Gupta:** No. I am asking that on a full-year basis this should revert to 9-10%, right?
- Sachin Shah:** Yes, it is 9%. If you take H1, you will see the number to be around 9%. There were some higher tax provisions in the Q1 which we have reversed. Overall, if you see H1, it will be 8 to 9% and that's where it will remain.
- Sonal Gupta:** Just in terms of like when you had originally guided for 30% growth for this year, you were expecting around 15% growth on an organic basis. Given what's transpired in the first half, how do you see that target?
- V. Krishnakumar:** It depends on how Q3 pans out, because we have only seen one quarter of revival, four months to be precise in the Cardiometabolic market and that is what has led to a slight uptick in our expectation as well, which we have outlined in our investor presentation. Our expectation as I highlighted in the earlier part of this call also, that we will get two effects flowing in the second half. One is the benefit of the price increases will become visible, and second is the benefits of the new product launches will also become visible as the products scale up. Yes, absolutely, it is expected that there will be some improved traction in the second half subject to the market continuing to support.
- Sonal Gupta:** A clarification on this price increase impact also, right? If you have taken the price increases from April or even from June, the primary sales that you have done this quarter should reflect that benefit, right?
- Amit Bakshi:** It doesn't work out like that. It works out from the last year to date. If the last price hike was taken say on a product last September, then you have to take it this September. That's how it works out. It doesn't follow the calendar year or a financial year. It follows a 12-month period from the last increment which you took. That is why you see this lag.

**Sonal Gupta:** That I understand. So, your price hikes are more weighted towards the second half of the year.

**Amit Bakshi:** Correct. Absolutely.

**Moderator:** Thank you. The next question is from the line of Yash Tanna from iThought PMS. Please go ahead.

**Yash Tanna:** Good evening. My question was around Dydrogesterone that you have launched this quarter. I think there are two or three big players who already have a decent market share in this molecule and maybe you can correct me if I am wrong. But there are two or three players who already have a very decent market share and there are a few new players also who have entered this market. On this particular molecule, how do we see growth and how big is the market, if you can highlight on that part?

**V. Krishnakumar:** I will just answer the market part, and then I will invite Amit to share his insights as well. The Dydro market is Rs. 750 crores per annum now and still continues to grow at 45-50% per annum which is a phenomenal market to be in because, that's been our thesis all along, that let us participate in high growth markets, and let us try and take a disproportionate share of the incremental market that gets created. So Rs. 750 crores market growing at 40-50% per annum means that what you have like a Rs. 250 to 300 crores market getting created every year. That's like the new playing field for us.

In terms of what we are seeing on the ground on competitive intensity etc., I would invite Amit to share his comments.

**Amit Bakshi:** There is a little bit disadvantage which we have because the prices have crashed. Not crashed,.. not the right word. The prices have come down in



the last three months, and we are having an inventory which will last us for at least four more months. That is the small disadvantage of we not being able to participate in this price going down. And at least for the next four months, it's after I think December, January we will be able to do the price correction. We will be missing our target. We were thinking about Rs. 30 crores by the end of the year which now stands at around Rs. 25-26 crores in that range. But at the prescription level, we are doing fine. Dydrogesterone is something which we won't miss in the Gynecology therapy. That's where we stand at this point of time.

**Moderator:** Thank you. The next question is from the line of Kunal Dhamesha from Macquarie. Please go ahead.

**Kunal Dhamesha:** On the Insulin franchise, we have been in the market for, you know, now it's been more than six months, right? What has been the initial thought process, we kind of command 5% plus prescription share in the overall Anti-Diabetes market, but is it basically going to translate us for Insulin franchise as well? Any thoughts on that would be useful.

**Amit Bakshi:** Kunal, good question actually. We believe that we will end up this year at around Rs. 18 crores. That's what we think we'll do Rs. 18-20 crores this year and this all started from scratch. There is no other product which is there in the basket. We feel that Rs. 18-20 crores is a good number for the first year. It's all organic growth. It also applies the thesis again that we will be profitable next year. Therefore, a good thing is you can still build a good business and make it profitable in one year's time. We are good with the insulin business as such as I told you in the last call.

Strategically you have to wait it out for six-nine months so that the product becomes available. Availability in Insulin is very, very important and units of product which is not available across because of the kind of

requirement it has from the storage point of view. But I'm quite happy about this and you will see a lot of traction building up in this business with the launch of Glargine, which is very contemporary. We are launching it just post Diwali. That means starting of November. That will get us to the second phase of growth in Insulin. So far, we have done well. We will be a considerably good player in the Insulin market. The quality has been appreciated. We have been around for some time. We have thousands of patients on our insulins now. More than 20,000 patients are taking our insulin. We are working on it. We are on right track.

**Kunal Dhamesha:** Just a follow up on that. If I look at our revenue and EBITDA on the insulin franchise, let's say roughly on a quarterly basis, we are like making roughly Rs. 8 crore kind of EBITDA loss. But let's say when you launch Glargine, do you see that there is an incremental launch cost etc., coming in for Glargine?

**Amit Bakshi:** Yes, there will be an incremental cost and there will be an incremental revenue also. It's not that we will be in this year coming into a positive zone at any point of time. We have considered both these things. We have already burnt out Rs. 10 crores. We might burn out around Rs. 8 more crores in this year roughly and reach Rs. 18-20 crore of total sales and we are quite sure that from next year we are not burning anymore.

**Moderator:** Thank you. We have a question from the line of Mahesh Vyas from UTI Mutual Fund. Please go ahead.

**Mahesh Vyas:** Sir, just one question. What is the payback period we are expecting for this Oaknet acquisition?

**V. Krishnakumar:** We don't look at simple payback. We look at IRR on our investment when we go into it. Any investment that has a more than 30% IRR, we consider

it as a good investment in our system. With the Oaknet acquisition ramping up better than expected, all I can say is that the IRR of the deal will be far better than what we had expected going in.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. V Krishnakumar for closing comments.

**V. Krishnakumar:** Thank you all for your participation in the call. By way of summary, the Oaknet business acquired in May'22 is emerging as a success story for us in value creation through M&A. Through the deployment of various execution and growth levers, we see this business delivering an EBITDA of Rs. 50 crores this financial year, which is one full year ahead of expectation when we went into the deal. As per AWACS, Eris has grown at 19.3% in Q2 versus the market growth of 13%. For the first half of this year, Eris has grown at 13.6% versus the market growth of 7.4%.

We have entered an era where we have clear visibility on secular growth in our Cardiometabolic segment and our three emerging therapies over the next three years. We will continue pursuing growth opportunities in these segments through multiple levers including new products, expansion of doctor coverage and inorganic expansion. Eris delivered a Q2 consolidated revenue of Rs. 461 crores with an EBITDA of Rs. 151 crores and a PAT of Rs. 119 crores. For the first half of this year, Eris delivered a consolidated revenue of Rs. 859 crores, EBITDA of Rs. 281 crores, and profit after tax of Rs. 212 crores. For this FY23, we are targeting a consol revenue growth of 30% and a consol EBITDA growth of 16 to 17% including Oaknet.

Thank you. I wish all of you and your loved ones a safe and happy Diwali.

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

This document has been revised to improve readability.