sanofi

28th February 2023

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai - 400 001
Scrip Code: 500674

The Secretary
The National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No. C/1, G Block
Bandra-Kurla Complex, Bandra East
Mumbai - 400 050
Symbol: SANOFI

Sub: Transcript of Investors / Analysts Call scheduled on 24th February 2023

Dear Sirs,

Further to our letter dated 24th February 2023, and pursuant to Regulation 30 read with Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of the Investors / Analysts Call scheduled on 24th February 2023. The same is also being uploaded on the website of the Company at [Announcements & Stock Exchange Disclosures - Sanofi in India (sanofiindialtd.com)].

Please note that the presentation and the recording of the aforesaid Call is already available on the website of the Company at the above web link.

Kindly take the above information on record.

Yours faithfully

For **Sanofi India Limited**

Radhika Kartik Shah
Digitally signed by Radhika Kartik Shah
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Radhika Shah
Company Secretary & Compliance Officer
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"Sanofi India Limited
Results Investor Call"
February 24, 2023

MANAGEMENT: **MR. RODOLFO HROSZ – MANAGING DIRECTOR – SANOFI INDIA LIMITED**
MR. VAIBHAV KARANDIKAR – CHIEF FINANCIAL OFFICER – SANOFI INDIA LIMITED
MS. RADHIKA SHAH – COMPANY SECRETARY – SANOFI INDIA LIMITED

Radhika Shah: Thank you. Good afternoon, everyone, and a warm welcome to the Investor Call of Sanofi India Limited. My name is Radhika Shah, and I'm the Company Secretary of Sanofi India Limited. I have with me; Mr. Rodolfo Hrosz, Managing Director and Mr. Vaibhav Karandikar, who is the CFO of Sanofi India Limited. Good afternoon, everyone.

Rodolfo Hrosz: Good afternoon, everyone.

Vaibhav Karandikar: Good afternoon.

Radhika Shah: All right. We begin this investor call. There are two important announcements before we start. First, please note that the proceedings of this meeting are being recorded. And second, please note our standard disclaimer that certain statements in this call may be forward-looking. The actual results may be affected by many factors that may be different from what is envisaged in terms of future performance and outlook that is being discussed today.

Moving on to the agenda of this call. We have divided this call into 2 parts. In the first part, the management will make a presentation covering the strategy of the company and the performance for Q4 and FY '22. In the second part, the management will take the questions from the investors and participants. The Q&A is likely to end by 03:00 p.m. All investors and participants are requested to keep their questions brief and avoid repetition.

I now hand over the call to Rodolfo and Vaibhav for a quick presentation. Thank you.

Rodolfo Hrosz: Thank you very much, Radhika. We can go to the first page. Good afternoon again to everyone.

Next, and let's go to the next page. I think we went through the disclaimer, we can go to the next page. Very well. So just a quick snapshot of Sanofi India, 67 years of commitment to India, top 3 pharma multinational company in the country. Three brands within the top 100 in the pharmaceutical market in India of nearly INR 26 billion in total net sales, Sanofi India Limited listed company with approximately INR 127 billion market cap, 2,300 employees operating across India with 3,000 distributors and 100,000 pharmacies reached, strong industrial presence with a very strong manufacturing site in Goa with 12 CMOs exporting to over 60 countries around the world with 5 billion tablets produced yearly

Strength of legacy brands of 70% of our Sanofi India Limited business stems from 7 top brands, which are well entrenched in the country. And in terms of our ownership, 60.4% is owned by the promoters with nearly 10.5% retail shareholders and nearly 30% owned by institutional investors. We know that there is an addition of nearly 50% in the number of retail shareholders in the last year.

Before I continue given that there is a snapshot of Sanofi India, I wanted to just take a moment to put in front of you the vision statement of the Sanofi Group globally. Sanofi chases the miracles of science to improve people's lives. Now, 1/5 of that statement can only be fulfilled in India. 1/5 of people that live on the planet are in India, right? So India is soon to be the largest population on earth that is expected by July this year. So counting down the days theoretically, in 125 days India will be the most populous country in the world.

Population, which is driving this economic steady growth, as you've seen the news and follow and you know better, even better than myself, very steady economic growth in the recent times which is projected also into the future.

That is also true when we come to healthcare. Health care is poised to benefit from this economic growth as gets in health care close over time. Healthcare GDP percentage of the -- GDP in health care has increased dramatically. It is projected to be 2.5% of GDP by 2025, doubling in a 10-year period, which is quite phenomenal. This is, of course, a consequence of the strong commitment of the Indian government to health care. And we've seen many programs that promote health care being deployed by the government, such as the Ayushman Bharat and the Eight Years of Health India promoted the Prime Minister himself.

We've seen that market, we see some trends that are of particular attention towards Sanofi India. First of all, if I start from the upper left box, we just mentioned strong macroeconomics, strong commitment and support from the government, which will make India the fastest growing pharma market in the world, right?

Now we've seen that, we still see lots and lots of opportunities for growth, which project a very interesting scenario for this market altogether going forward. Take for instance, the noncommunicable diseases treatment gap. It's a huge gap. 50% of patients with NCDs are untreated in India. 50% of patients treated for NCD are not on treatment goals. If you take diabetes, for instance, 76 million diabetes patients, only 40 million of that population is under treatment, diagnosed.

Then if you go down to the number of people in treatment, the number goes down many millions more. And at the end, there is only 20 million on treatment goal, but with another 10 million that are under treatment, but not under adequate treatment. So the gaps are throughout the different stages from diagnosis to getting to treatment, to getting to the right treatment at the end, which represents an opportunity and a gap that needs to be closed and also an opportunity for growth. That is one example in diabetes, but many more existing other NCDs.

Another key dimension, a key element of the market in India, innovation has represented more and more a driver of growth. If you compare that on the upper right corner, 2018 and 2022, we see how much more innovation represents a significant portion of the growth of the market in total.

Also, when you look at not only the portfolio, but the way we engage with HCPs in the country, it has transformed through COVID and post-COVID, we see an increased adoption of digital channels by HCP, adoption of a hybrid reach model for reps and visits and conferences and events with doctors. More than 1.3 billion cell phone connections in India provides a ready platform to drive digital health initiatives in this field.

If you go to the trade, we see fast modernizing trade channels, right? Pharmacy chains are clearly outpacing the market. They are growing more professional, they're consolidating and expanding in India. Distributors are modernizing and consolidating. All the mom-and-pop organizations are becoming more professional, consolidating in smaller and bigger groups and modernizing their ways of operation. Hospital chains continue to expand at a fast pace, outpacing the market as well. So we see clear modernization in the trade in general. And if we focus even more, it goes to e-commerce, it is a very clear acceleration that you all are aware of with the e-pharmacy is expecting to grow an annualized rate of 40% to 45% between '21 and '27. The penetration of the e-pharmacies in the country is about to reach 70 million households by 2025, coming from only 9 million in 2022. So significant trends, significant important trends that we pay attention to when we talk about our plans going forward.

When you talk about the portfolio of Sanofi India Limited, we're well positioned across 7 of the top 9 therapies in the Indian Pharmaceutical Market. This chart shows you the therapeutical areas in the pharma market from biggest to smallest. And you can see that in 7 of the top 9, Sanofi India Limited is present.

We're present with penetration in some categories that ranges from 7% to 61%. So there is room even for us to continue to expand our penetration into some categories, all of the categories where we're playing and also our market share for still significant opportunity to increase market share of the -- within those categories in which we play.

Over time the -- we have been able to -- we can move to the next slide now. Over time, we have been able to build very strong leading brands in these segments. Lantus is number 1 in its segment. Allegra is the same, Combiflam is number 3 in pain, Amaryl, Cardace and Clexane number 1 in their respective segment. This is not to mention Targocid and Frisium are also brands that are leading in their respective segments. But these six making to the top 200 of the pharmaceutical market in India. So a significant achievement from the past.

Next. And when we talk about the past, in Sanofi India, we are pretty proud of the past. Strong brands were built, solid quality reputation for the company in the market. We are 1 of the top 3 multinational companies in India with a very senior and capable leadership team and very experienced teams across the organization that have been responsible for the building of the brands from over the years that you just mentioned. When you think about the future, we see a very attractive future. We see a resilient economy, both in terms of GDP as well as in terms of currency for emerging markets.

We see health care gaps that exist, but are being closed through growing health care budget, which leads to a fast-growing market that we believe is going to continue to be the case for many years to come. India is also a market where brands make a big difference and live very long, and we are a brand company. Not only that, India also has a strong talent pool not only for ourselves here in India, but globally, as you know, and see and can attest yourselves.

In the next slide, we talk a little bit about the present. If we're proud over the past and attracted to the future, when we look at the present, we see some strengths. And in terms of strength, we see that our insulin business and our consumer healthcare business are of particular interest, given their representatives in our business, given our market share and relevance in the Indian market. And given the fact that these 2 segments of our business grow ahead and above our own average growth. So there are today already growth drivers of the business in India.

At the same time, when I think of the opportunities that exist in the present, we see a number of factors that can be improved. First, we can focus more on growth drivers. We just saw 2 main current driver engines of growth, we believe we can focus even more on both. We can leverage more on local opportunities as opposed to depending too much on the global strategies only. There's lots of local unique opportunity needed that we can tackle, and we intend to do so.

We can improve HCP centricity by having bigger baskets and fewer reps calling on the same doctor with a fuller basket of options and diverse service to those doctors. We can expand reach by reducing overlaps in our current coverage. We can regain innovation momentum where in the last few years, there's been fewer introductions in Sanofi India, there is opportunity for us to do a lot more. Both with global products that exist in Sanofi can be brought to India and also with local opportunities for innovation that can be produced here locally as well.

There is an opportunity for us to master the emerging markets and modernizing channels. We aren't completely up to the modernization that has happened in the trade so far. There is an opportunity to build partnerships for which there's different potential partners could help us take our product through a more capital distribution and capital reach within the country. And we think there is opportunity in the ways we work to drive more empowerment and more agility as well.

Now with all that in mind, we took a step back in the leadership team in the last few months and drive a new plan to accelerate the growth of the business we need. We called it India for India, Sanofi's India for India plan.

In this chart, you can see the 4 pillars that we divided as growth pillars for the business going forward. The first pillar is, of course, diabetes our biggest and stronger business in Sanofi India. And there we believe there are 3 main elements that remain opportunities to we want to tackle. Once we strengthen the positioning of our portfolio, we have a range of products. And we can dedicate them to specific segments with more clarity.

Second, we believe we can expand the spectrum of offering. We're one of the large across the board, full spectrum or fuller spectrum players in diabetes. We have oral diabetes and injectables as well, and we intend to expand the fullness of our offer for this disease. Also, we believe there is an opportunity for us and a need for us to engage with stronger disease awareness initiatives to facilitate the understanding of this disease, potentially the therapy associated with it.

When we go to the second pillar, our second focus for growth going forward is consumer health care. In that pillar, we have a very strong business of driving brand with Allegra, which we want to double down and invest even more to accelerate its growth. To do that, we also believe we need to deepen our consumer understanding in order to unlock 3 years of growth for this business. And we can expand its range as well, leveraging an array of products that exist in our global portfolio.

Third pillar for our growth is an end-to-end innovation. In there, we see 3 elements. First, we can and will leverage to the maximum extent possible our global portfolio with products that exist in the global portfolio, Sanofi that aren't here in India yet plus export meaningful as possible adjacent local innovations, projects that have been developed in India for India needs that we intend to pursue. The second element in that pillar is to explore further supply localization. Today, we have a significant portion of our sales in India that is already produced in India. We believe we can localize even more. There are a number of advantages from that strategy from reliability, from a reduction of cost and also to be aligned with the Make in India campaign from our government, right?

Third piece of that column is to seek and establish partnerships that can allow us to extend our reach in this best country, taking our products to every little city -- a regional city around different states. The fourth pillar, fourth and final pillar of our strategy is the go-to-market pillar. In there, again, we have 3 elements.

The first element is to do the customer-centric and hybrid model, which we have begun to do in a redeployment that took place in Q4, which I'm going to mention a little more in the next slide. The second element in go-to-market is the creation of a trade organization that caters the whole portfolio of Sanofi India to our trade partners, be those distributors, pharmacy chains, e-commerce companies or hospitals as well.

But looking at that interface with more attention and elevating it to a world-class interaction with those partners. The third element on that go-to-market pillar is to drive pilots of transformative nature, be those in the way we deal with e-commerce or in the way we engage with the HCPs or in the way we manage our key accounts in the country.

In the next slide, we speak a little bit about the Q4 deployment. So through the month of Q4, we deployed a new ways of working in India, which included the reorganization from 8 business units to 3, addition of an innovation function and team, addition of a trade function and organizing a team under that function. The number of HCPs reached by the field force increased, even if the number of reps is constant.

It is only possible because we reduced all the reps, and that allowed us to reach more HCPs with the same number of reps. our key accounts and hospital coverage was established and it is in the process of being implemented. And there has been a change in resource allocation from a historical basis, marginal variations to more insight-based and insight-driven going forward.

I think with that I conclude. On the next slide, I hand over to Vaibhav to talk a little bit more about the numbers of this business. Vaibhav.

Vaibhav Karandikar: Thank you, Rodolfo. Good afternoon, everyone, again. As Rodolfo mentioned, the Q4 deployment was presented in the previous slide. So the quarter 2022 was the first quarter when this deployment model was put in place. It is also a quarter which is largely a comparable quarter. If you recollect, we sold the Nutraceuticals business in September 2021. And when you look at Q4 '22, it is therefore a largely comparable quarter because the effect of the divestment does not -- is not seen in this quarter. There is an impact of sales of Soframycin and some other exceptional items.

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But if you look at the quarter in question currently, on a public basis when you look at the retained business, we show a de-growth of 2%. But on a comparable basis, there is a growth of 3.8%. We had some challenges in this quarter in Targocid, which is one of our big brands, which Rodolfo talked about, where we had some supply issues. That is one of the reasons also why you have a slightly negative domestic retail business growth of minus 2%.

On a profit before tax basis, you can see that we are up 33%. Again, on a comparable basis, we would be up 22%. What we have taken here from a comparison perspective is ignore the Soframycin-related impact, we've also equalized the exceptional exports growth in this quarter in the sense, as you see, export growth is 26% over the previous year. So we have equalized that impact also.

And therefore, when you look at it from a pure comparative quarter basis, we are, from a profit before tax, we are growing at 22%. Operating efficiencies also, which Rodolfo talked about, both in resource mobilization, deployment has kicked in during this quarter. And as we go along, we will also see that in the next quarters as we go along.

Full year performance, the domestic retail business, again, same minus 2%. And if you look at excluding the exceptional items, which I talked about here, is of course, there's an element of Nutraceuticals. There's an element of Soframycin, there's also an element of the COVID impact that we had in 2021 where we had exceptional sales during this period. If you look at all that, there is a restatement of around -- the comparable sales number at around 3.7%. Profit before tax on similar lines shows a de-growth of 5%, but on a comparable basis it is 6%.

Overall, to summarize on this slide, the Q4 '22 is the first quarter where the compare -- it's largely comparable quarter. And it can -- from a comparison and a growth perspective, it is easy for us to monitor Sanofi's performance quarter-on-quarter from now on because the exceptional impact largely diminishes going forward.

Next slide, please. I just wanted to put this slide just for anyone to know we talked about divestments in the past by Sanofi. So there are the 2 graphs on the top talk about the CAGR on the retail business and CAGR on a published basis that means including the divested portfolio.

If you see that the CAGR for the full portfolio included the divested portfolio is in the range of 5%. And our CAGR, if you consider the retail business purely is 7.2%. So that means on the retail business portfolio, the focus is clearly there, and that focus helps us in delivering better results in the areas that we want to look at going forward, and we also talked about being present in 7 out of 9 top therapy areas.

A quick comment on the profit before tax. If you can see the margin profile has improved. We were at 22% in 2017. And since then, you can see that the growth is steady. This is, of course, profit before exceptional items, and we are now at 28% as profit before tax to sales. So the margin profile clearly shows an improvement over the years. There have been questions on dividend. I think Rodolfo talked about the strategy. The strategy is essentially about global innovation, using global innovation, using local innovation.

Localization of manufacturing is also one part of our strategy, but important to note that the localization of manufacturing is largely by leveraging the contract manufacturing network in India, which is where India has a significant amount of strength, and of course, the partnership. To summarize, even if you look at all these 3 initiatives, they are the growth that we are talking about with global and local innovation, partnerships and localization of manufacturing. It's largely an organic growth. And therefore, looking at the -- at this particular organic growth momentum in the future, the cash needs of the companies are also assessed. And if you can see from 2017 to 2022, our normal dividend accordingly has increased because when we generate cash from a cash cycle point of view, we are very positive.

And with an organic growth focus going forward, looking at the cash needs, you can see that the dividend payout percentage has increased steadily over the years, and that's reflective in the chart. And I think that's something which we wanted to share with all the shareholders as well. The concept and the rationale behind this, this whole payout is also linked to the way the company is thinking from a strategy point of view.

So I stop here. A quick recap on the financials, and I'll let Rodolfo take it forward. Next, please.

Rodolfo Hrosz: Yes. I think before we conclude, and I think the final message from our side is that we are stepping up our game on ESG. So, we are developing Sanofi India’s first integrated report, it will be disclosing the ESG figures in our upcoming annual report for the first time. India has robust governance structure to drive responsible and ethical business that would be on compliance. Those will be the central points there. This will allow us to leverage the very strong CSR initiatives that we have undertaken over the years in Sanofi India Limited. So we'll be able to organize that in a clearer way and communicate about that also, with more clarity going forward. I think at this point...

Radhika Shah: We close, yes. Thank you so much Rodolfo, Vaibhav for your presentation. Before we move on to the interactive Q&A session, which is planned, just a quick comment, we will respond to your queries within the boundaries of our internal policies and SEBI regulations. As required by law and our policies, we will restrict the responses to clarify on matters which are already available in the public domain through our annual report, quarterly financial statements and disclosures.

There are many granular aspects of our business or financials, such as product-wise or statewide therapy-wise sales, margins, profitability, which we consider confidential. Hence, we will not be able to comment on some of those aspects. We do not provide any earnings guidance and hence we will not be able to respond to the queries on future business or future product launches, etcetera. You may please raise your queries accordingly.

As I had mentioned in the exchange communication, we will take the questions in the sequence based on your registration. In case of multiple registrations from the same participants, we will take questions from the first registered participants and give others the opportunity at the end. In the interest of time and giving equal opportunity for all the participants, please limit the number of questions to one or two.

I now hand over to the Chorus team for taking on the Q&A. Thank you.

Moderator: We take the first question from the line of Girish Shetty from Banyan Tree Advisors.

Girish Shetty: My first question is on Lantus. So I just wanted to know the quantum of price cut? And from when will it reflect in our financial statement? And also we wanted to know how is the arrangement with the parent in terms of sourcing and profitability? And just wanted to understand if the parents will absorb part of the price cut in case of Lantus? So that is the first question. Then I'll ask the second one.

Vaibhav Karandikar: So currently, the draft prices have been notified by the government. We have three Lantus SKUs. There are ranges of price cuts, which has been communicated as per the draft price notification with the average price cut is approximately 25%. However, two things or two caveats to point out, it's a draft notification. The company has made some representations in terms of the mode of calculation and inclusion of certain SKUs. And the government gives time typically to companies to make representations and then based on the representation, there's a reconsideration of this. So the final prices are not notified yet. So we await the final price notification and the consequent reduction if any.

Having said that, in case there is a reduction, we have clarified on this platform in the past, there is a certain margin profile, which we have for the imported product business, and that's on arm's length basis. And therefore, in case there is a drop in profitability below the arm's length, this would be compensated by the group. Effectively, it means the purchase price of the product will drop and the discussion will be taken with the group companies for that.

There may be a short-term impact, depending on the inventory that we have, the carrying inventory. But to answer your specific question, the purchase price of Lantus from the group will be reduced to ensure that the arm's length profitability is maintained.

Girish Shetty: Sir, just a follow-up. Just wanted to understand because it is an arm's length transaction, so is there any tax liability or any legal implication where you have to change the transfer price agreement to incorporate such that the parent will reduce the price for Lantus? And any other instance where this has happened in the past that post drug price coming at a price control, that the parent has taken a price cut? I just wanted to understand if there is a normal practice in the industry.

Vaibhav Karandikar: So as I mentioned, arm's length, once your profitability is arm's length under the income tax rules, there would be no tax litigation. Because arm's length is a reflection of the statute. That means you have to be compliant and therefore, to be at arm's length is not an option, it needs to be done. And therefore, to answer your second question, it's not a choice that we have, it's something which is mandatory that needs to be reflected as per the income tax laws.

Moderator: We take our next question from the line of Amey Chalke from 3P Investment Managers. There seems to be no response from this line. We will therefore move to our next question. That's from the line of Bhavya Sanghavi from Nirmal Bang. There seems to be no response from this line. We'll take our next question from Gagan Thareja from ASK Investment Management.

Gagan Thareja: So the first question is around Frisium and Cardace, I presume the revised NLEM pricing also impacts Frisium and Cardace, if I understood it correctly. So can you help us understand the impact on these two? And also, I mean, will the WPI linked price increase that will come through in the next year, to what degree will that help you offset, what impact happens now?

Vaibhav Karandikar: So in case of Cardace, as you know, the plain tablets are under price control. The average reduction that we expect is in the range of 14%-odd for Cardace, looking at each SKUs, similar to Frisium. The next WPI increase in the question that you have will be in April 2023. The current WPI, if you see the traction, it is not as high as previous year, which is at 10.7%. But as per the law, the government needs to give you a WPI increase in line with the Index. And we are hopeful that the same when it's published, it reflects the same numbers. So to answer your question on WPI, depending on the final government notification in April, the price changes can be implemented.

Gagan Thareja: And between the impact that you'll see on Lantus, Frisium and Cardace, while you have arrangements which might help you offset the impact to a certain degree in terms of transfer pricing, what impact would flow down to your profits assuming that the current notification is the final one to any degree if you can...

Vaibhav Karandikar: Yes. So as I mentioned, we don't give specific product profitability guidance, but the profit margin as a percentage to sales would be maintained whenever we do an arm's length adjustment. Does that answer your question?

Gagan Thareja: Yes, it helps. We understand this. And Lantus hasn't grown this year either. I mean, the impact will only come through in the next year. But what's been the reason for Lantus not growing this year? Is there a market share loss?

Rodolfo Hrosz: I'll take this one, Vaibhav. Lantus performance this year was negatively impacted by a high focus of the organization behind the acceleration of Toujeo. Toujeo grew very strongly. And part of that growth came out of Lantus. So in combination, we had Toujeo, growing very strongly at a very high rate, as you can analyze from our numbers. And then consequently there was a reduction of focus on the production on the sale of Lantus. Going forward, this is going to be analyzed, as I can't talk about the future here. But this is true, it happened and it happened because Toujeo received most of the focus of the organization, and it grew very-very steady in 2022.

Gagan Thareja: And going ahead, I mean what would be, if you could enumerate and if possible, also help us understand a little detail of the new product introductions that you intend to do through the listed entity, I understand that Sanofi as a group might introduce new products in India. But what would come through the listed entity in terms of numbers as well as therapy focus of those products, if you could help us understand that a little?

Rodolfo Hrosz: Yes. Everything we discussed here is Sanofi India Limited only. So everything that we discussed in the slide that we shared with you, they are related to Sanofi India Limited. And in there, we speak about which -- so that's not the private arm of Sanofi in India, that is Sanofi India Limited. Now as to which products and numbers, we don't disclose that. So we were unable to answer that part of your question. But as I mentioned, the slide I shared with you are about Sanofi India Limited. In there, you see innovation listed. So part of your question is are launch is going to happen under Sanofi India Limited or not? I mentioned that it is our plan to pursue those launches for Sanofi India Limited.

Gagan Thareja: And when you say you want to increase local manufacturing footprint, if you could give us some idea of how much gets manufactured locally? And what do you aspire to do over the next three to five years? Is it possible to understand this in a little more detail?

Rodolfo Hrosz: We can't give you the specific numbers in terms of which percentage will change in terms of our local manufacturing. I give you the information that we see that as an opportunity for the future of the business in India. A large portion of our portfolio is produced locally. We have a very big and very important site in Goa that produces many of the products that we manufacture that we commercialize in India, plus we operate with nearly 12 contract manufacturing organizations in India, that also provide a great part of what we sell in India. We believe there is opportunity for even more. As part of our product portfolio is important, we've seen some parts of this portfolio that is important could eventually be produced in India as well, improving reliability, cost and being aligned with Make in India campaign.

Moderator: Our next question is from the line of Tarang Agrawal from Old Bridge Capital.

Tarang Agrawal: I've got three questions. One on insulin glargine. If Toujeo grew at the cost of focus on Lantus did the overall insulin glargine franchise grow in calendar year '22 over '21, that's number one. Number two, in your presentation, we did see a lot of focus around wanting to expand partnerships to grow this business. If you could sort of illustrate further in terms of what do you mean there? And the third over the last two years, we've seen you shedding a reasonable chunk of your business, the tail brands and the tail businesses, is there a possibility of some more of it going forward, or we should now see that sort of ending?

Rodolfo Hrosz: All right. So let's take each one of the questions. So starting with the last one. So we don't disclose our M&A plans. But you did see that the divestments that were made improved our growth or compound annual growth rate in sales growth. So, we do that intelligently evaluating when do we should compete ourselves and that we should divest. So to that question, I can't answer you more than that. I mean if opportunities are correct, and it's the value creation for the shareholder is adequate, then we would always pursue different opportunities on M&A, but we don't have any specific plan to discuss with you.

And your second question was about overall glargine has gone up, yes, it did go up. It grew 2% on a full year basis altogether. Yes. And there was another element in the question.

Tarang Agrawal: That was around, you spoke about partnerships...

Rodolfo Hrosz: Yes. Partnerships. We believe that there is potential for us to partner with other players in the market to make our products more readily available to a larger percentage of the population in India. So today, we have a footprint in India, as I mentioned at the beginning, with 3,000 distributors and reached 100,000 pharmacies, and we reach a number of doctors. We believe that by partnering with different potential partners in India, we can extend and increase our capillarity, get to more doctors, get to more patients, get to more pharmacies and get therefore our products to more patients ultimately is that's the belief. This is one thing that we'll be exploring going forward.

Tarang Agrawal: So would it imply a lot, maybe perhaps some out-licensing deals? I think that's probably where you seem to be suggesting. But is in-licensing a proposition? I mean, given that you have a very deep connect with your HCPs and there are portfolio gaps in -- even in your diabetes franchise. So would in-licensing possibly be a probability for business?

Rodolfo Hrosz: Yes. At this point, partnerships like I described, is a very ample territory that we believe can aggregate value for the business. No one specific type of partnership has been defined as the goal going forward. We don't exclude in-licensing or out-licensing. Those are both viable type, both potential types of partnerships going forward. There is no specific partnership in the works in that sense, and we don't exclude any of these types going forward.

Moderator: Our next question is from Vishal Manchanda from Systematix. There seems to be no response from this connection. We will, therefore, move to our next question, that's from the line of Varun from Bryanston Investments.

Varun: So the MD spoke about Sanofi's presence in fastest-growing therapies, but what we are saying is in oral diabetic and cardiology segment, the treatment is shifting to a newer class of drugs. So for the brand like Cardace and Amaryl, what is our strategy to remain at the forefront?

Rodolfo Hrosz: I'm not sure I got the question entirely. So could you repeat?

Varun: Yes. So you spoke about Sanofi's presence in the fastest-growing therapies. But what we are seeing is in oral diabetics and cardiology segment, the treatment is shifting to newer class of drugs. So for brands like Cardace and Amaryl, what is our strategy to remain at the frontend?

Rodolfo Hrosz: Now I understand. Yes, we do evaluate different sub-segments of the therapies. What I showed you is that we're present in seven of the nine largest therapies in India. And we think that there are sub-segments. And I mentioned that we have a varying range of penetration in those large certain categories.

We constantly evaluate which other sub-segments of these categories we want to enhance our products. So we're constantly evaluating that. And that's a good observation. So yes, it's part of our constant ongoing work to identify potential segments of interest and therefore, then we do plan to penetrate in those segments of interest as we go forward. So that's something that we constantly look at.

Varun: And how large is the calcium and vitamin D...

Rodolfo Hrosz: If I may connect, sorry, if I may could to give you a little better answer there. So that will connect back to the innovation pillar. So we won't innovate for randomly. So innovation is a pillar for growth for Sanofi India will be grounded on specific opportunities in specific segments of high growth. So just to try to give you a little better, more complete answer based on what we shared with you already. Sorry for interrupting, go ahead.

Varun: And how large is the calcium and vitamin D3 market in India? And how do you think is DePURA positioned in the overall market? What would be our ranking in general? And how large is the pediatric market because that seems to be our area of focus?

Rodolfo Hrosz: And I didn't hear you very well, again. So could you repeat?

Varun: Yes. So I just want to understand how large is the calcium and vitamin D3 market in India? And how is DePURA positioned in the overall market? And what would be your ranking in general? And how large is the pediatric market within this, given that it is also a focus area?

Rodolfo Hrosz: Yes. Thank you for the question. Very specific question. I don't know from the top of my head, I can't answer you right away. I think we may be able to provide an answer after with those numbers.

Radhika Shah: Yes, sure. We have noted your question. We can go on to the next question.

Moderator: We'll take our next question from the line of Cyndrella Carvalho from JM Financial.

Cyndrella Carvalho: Just want to understand if you can share with us what is the current NLEM exposure as a percentage of sales?

Rodolfo Hrosz: Yes, let me check and confirm.

Vaibhav Karandikar: So you're talking about the total current port under NLEM?

Cyndrella Carvalho: Yes.

Vaibhav Karandikar: So currently, it's at around between 15% to 16%. And in case Lantus gets included in the price control, which is likely to happen, that number will go up to 40%.

Cyndrella Carvalho: And as you were earlier I think -- if the WPI index-related increase comes in, how much of impact we'll be able to offset. Can you help us understand that?

Vaibhav Karandikar: I mean the WPI needs to be notified by the government, but we are expecting in the range of 8% plus.

Cyndrella Carvalho: And as of now, based on the notified Lantus segment, what is…

Moderator: Cyndrella, I think there seems to be some network issue at your end.

Cyndrella Carvalho: Fee impact that we're anticipating?

Moderator: Cyndrella, I'm sorry, but you'll have to repeat your question, we couldn't hear you.

Cyndrella Carvalho: I was asking considering fee strengths, which have come under NLEM from Lantus perspective, what would be the tentative impact to our understanding?

Vaibhav Karandikar: I would -- as I mentioned earlier, the impact in terms of reduction for the…

Cyndrella Carvalho: On the top line.

Vaibhav Karandikar: As an impact , for the largest SKU impact is around 25% and as I mentioned, the bottom line impact will be limited because it will be a pass-through from a perspective of the gross margin, essentially. So I will not specify the impact as of now because it's still draft prices, I'm giving you a range.

Cyndrella Carvalho: And if we look at the brand selection, what is the reason for a huge decline that we are seeing on Clexane can you help us understand that?

Vaibhav Karandikar: So its Clexane. So because of essentially 2021, we had a huge peak because of COVID and I talked about it when I spoke about the financials, and we talked about the normalizing impact. So last year, during COVID, we had a significant spike in sales, and that has an impact in 2022 when we look at it on a comparative basis.

Cyndrella Carvalho: So from this year onwards, we should expect a normalized base going ahead. Is that a correct understanding?

Vaibhav Karandikar: Yes, you can say. In terms of the impact of COVID, etcetera, being out of the question now, going forward, it's more normalized growth.

Cyndrella Carvalho: And there is no NLEM impact expected in that brand, right?

Vaibhav Karandikar: Clexane is already under price control. And every 5 years, there is a revision in prices. So there is a re-averaging impact for Clexane also.

Cyndrella Carvalho: And if you look at the gross margins, we have seen a quite benefit coming to us. Is this sustainable? And what has driven this?

Vaibhav Karandikar: Are you reflecting to the quarter 4?

Cyndrella Carvalho: The entire year of gross margins?

Vaibhav Karandikar: So when you look at overall gross margin percentage or the material cost percentage, there is a slight improvement. And I mean, I'll not necessarily talk about it from a point of view of the future. But a couple of factors to think through. There's a mix impact, of course, which is important. And the product mix, especially in the domestic segment can have an impact. in case of exports, the strengthening of the euro in the -- from the beginning of the year to where we are today, that also gives us some benefit.

I will not comment on the future sustainability of the margin. But yes, there is a slight improvement in margin structure. And if all things remain equal from a mix point of view, you could expect the same set of margins. Having said that, you need to monitor -- there are a few levers for this, which is domestic business, export business mix between the two businesses and the mix within the domestic business, which would have an impact. So I can't give you a specific direction, but yes, the margin profile as a material cost of sales is currently maintainable.

Cyndrella Carvalho: And what would be our going ahead strategy focusing on the top 10 brands. Are we envisaging any strategy specifically to grow these brands because our growth has largely -- even if I consider the retail brands -- it has been around 7% CAGR. So how should we look at it? And given that we'll have some impact of NLEM. So what is the thought process? Any colour will be helpful?

Rodolfo Hrosz: Cyndrella, going forward and what we shared with you in the beginning is our pillars of growth point is to focus on the diabetes brands and CHC brands. These are the key growth for the business going forward. So we're going to be doubling down our resources and investments and attention and focusing on these two categories to drive the brands within those two categories harder and leverage the already existing positive momentum on these brands.

So I think that's the extent to what we can disclose with you, which was part of the presentation in a way. So it's not the top 10 brands that we're driving, we're driving CHC and diabetes -- diabetes and CHC with a heightened focus and increased resources behind those brands because of the relevance, because of their good momentum, and the fact that they already they already grew above our average. So we're doubling down on our growth engine.

Moderator: Our next question is from Vishal Manchanda from Systematix.

Vishal Manchanda: Yes. Sir, my question is on insulin aspart, you received a regulatory approval from the DCGI-- would you be able to launch this drug in India this year?

Rodolfo Hrosz: It's just me, but I couldn't understand.

Radhika Shah: Yes. If you have to repeat your question. Your voice is breaking up in between.

Vishal Manchanda: So my question is on insulin aspart. The CDSCO approved the insulin aspart for Sanofi this year.

Rodolfo Hrosz: I'm not sure. We'll check and get back to you.

Vishal Manchanda: This is an insulin, mealtime insulin that you got approval for?

Rodolfo Hrosz: A new insulin that was approved, what is the insulin that was approved?

Vaibhav Karandikar: Aspart.

Radhika Shah: Aspart.

Rodolfo Hrosz: So we'll get back to you -- go to a couple of questions before we're going to do some research and get back to you before we close the call, so let's get to it.

Radhika Shah: Okay. So let me take the next one, please.

Rodolfo Hrosz: So there is this question on the...

Vaibhav Karandikar: Vitamin D3.

Rodolfo Hrosz: Vitamin D market share, right? So we'll come back to this too, keep going.

Moderator: We'll take a next question from the line of Himanshu Upadhyay from O3 Capital.

Himanshu Upadhyay: So a few questions on that. It was good to know the strategy, but can you tell what were the actions taken in last 1 year, especially on ground and the actions you aim to take in CY '23. So in terms of actions, what we are trying to understand is, was there any new product introduced or you are planning to introduce -- because I don't think in last 2, 3 years, we have done anything on that front. You have stated that you are focusing on innovation or reinvigorate the innovation process. But what have we achieved till now under you in last 1 year? Can you elaborate something on that? And where are the gaps you are facing?

Rodolfo Hrosz: Very good questions and allows me to clarify one point. The plan that I have shared with you was developed in the months after my joining the company. So that is a joint plan developed with the leadership team in the second half of 2022. As I mentioned, we did deploy a new organization and we were working already in Q4, right? And that is one element that we could act immediately. Obviously, when you talk about innovation in our market in our industry, it isn't immediate.

So the moment you commit to innovation, you put resources behind it and you start to work on it. But due to the nature of innovation in the pharmaceutical industry with many approval in terms of development, quality, regulatory, etcetera, it takes time. So we could -- you could not see any impact from the moment this plan was conceived in Q3 2022 till now because this will be impossible. So the plan is to bring innovation to the market. It will happen in the coming quarters and years.

But it will happen in the coming years, let's put it this way. But it could not have happened immediately, in consumer goods, you would be able to decide to innovate and tomorrow already in our industry, it takes a little longer. So what action was taken since the plan was put in place is the deployment of Q4, which we highlighted in our presentation, where we changed the organization from 8 to 3 business units, enlarging the baskets offered to the doctors when we connect with the doctors and extending the reach of the organization by reducing the overlap that existed between the eight business units that will run in the business up until that.

So that, of course, will have some time to mature. And there will be some time for us to see the full benefit of the changes that were made in Q4. But that happened in Q4. And we think that even in Q4, we already see some impact from those changes. And we continue to see that as we go. So I think -- I don't know if that answers your question, but it's important to clarify, this is not a 3-year-old plan. This is a 5 -- month -- 4, 5-month-old plan that we are -- that we have just recently deployed.

Vaibhav Karandikar: And Rodolfo, just to supplement that. I mean what Rodolfo was talking about the fact that very clearly, there is an acceleration on the global and local innovation that is being planned in India, for India. But if you look at it in the last 2 years, there is this deployment of launch of Toujeo in cartridge form, which is not available anywhere else in the world. You're using the Toustar pen which is a specific India kind of an innovation, which is launched only in India.

It's not launched in '22. But if you look at it between '21 and '22, there has been a clear uptick in Toujeo because of this launch of the cartridge. There is also clearly Allegra nasal spray, one of the additional products that we talked about in '21. So there is the movement in the innovation pipeline from Sanofi. Rodolfo clearly he was referring to the fact that the acceleration that is reflected in the presentation is more going to come in the future years.

Himanshu Upadhyay: One more question. Partially -- I would say partially. Because you are saying you are starting to put more resources, but can you elaborate more in terms of number of men you have increased or number of -- the amount of money you are spending more on R&D? So that is what the action on ground means to me. But that is not what I'm hearing anything about. Okay, we can take this thing further.

But yes, the next question is, can you -- diabetes is the important focus area or you are trying to increase the franchisee of that business. But can you elaborate in last 1 year -- because we are doing this call every year, so that's why I'm asking. How much has the doctor's prescription increased for Lantus and Toujeo or the patients, we are serving increased in last 1 year with our diabetes franchises? Can you elaborate on that? And how much has the penetration of ours increased. Because this is the number one priority, but if you can give the actions these were taken, this is what we have reached in terms of distribution reach, doctor's reach, what was in comparison to 1 year or 2 years back, that is what we want to hear about. But yes, that's one of the questions.

Vaibhav Karandikar: Maybe the first part I take on the ...

Rodolfo Hrosz: Yes.

Vaibhav Karandikar: So maybe the first part I'll take you made a specific comment about increasing of head count, increasing of expenditure on R&D. So when you look at the global innovation that Rodolfo talked about. This global innovation is essentially the pipeline, which comes from the parent to us. We don't need to spend on the R&D for that global pipeline. Similarly, we pointed out that the local innovation also we leverage on the CMO network in India.

We did talk about in-licensing opportunities, exploring those. So when you look at pure R&D, as I said, whether it's global or local innovation, we don't need to put upfront cash on the table for getting the product that we need for our team. The second question is from a pure increase in sales deployment or salesforce deployment.

Again, if you see a slide that Rodolfo has presented to us, because more on the smart way of resourcing instead of repeating calls on the same activity by different people, we talk about ensuring that the messaging is done more efficiently. So it's also about efficiency more than the numbers.

So we are looking at this more holistically rather than only looking at it from a point of increasing headcount in absolute terms. So I hope that answers the first part of your question, and Rodolfo, if you could take care on the second one.

Rodolfo Hrosz: Yes. I think the second point was you were asking for some specific numbers, right, like Vaibhav addressed the point on the investment in R&D. And it's not really the right measurement for trying to understand the level of innovation that will come through in Sanofi India because we leverage innovation that is developed globally.

So we don't actually do full R&D here. And we already have the sourcing dedicated to R&D that we just use more intelligently, more efficiently to localize global innovation to the Indian market. But on the -- I think, one number, we can share with you that you have to know how much more research and focus that we put on diabetes, we have reallocated 150- 200 people in diabetes. So, there's an additional -- we have strengthened the diabetes business coverage with 200 people in our ranks. So a significant step up from what we had before.

Himanshu Upadhyay: And in terms of prescription -- how much have we expanded our diabetes franchisee? Can you give some idea? And the presence in terms of doctors you are reaching currently versus, let's say, 1 year back?

Rodolfo Hrosz: Yes. I don't think we can disclose those numbers, but let me check here with my colleagues. I think -- so that's 2% increase in prescriptions from OAD uncontrolled patients.

Vaibhav Karandikar: So from an overall patient coverage point of view, we had around 6.5 lakh patients in 2020, and that has gone above 7 lakhs in 2021, the focus continues in 2022. So, the number of patients is of course, a reflection of the number of HCPs that you reach.

Himanshu Upadhyay: Okay, thank you for the replies.

Rodolfo Hrosz: You're welcome. And thank you for asking a question that allowed me to clarify the fact that this is a new plan, not an old plan that we've been operating for long. It's a new plan that aims at accelerating the business and driving growth going forward through these four pillars that we laid out, diabetes, CHC, innovation and go-to-market.

Moderator: We'll take our next question from the line of Abdulkader Puranwala from Elara. There seems to be no response from this line. We'll take our next question from the line of Saurabh from Multi Act.

Saurabh: Sir, I needed a clarification on Lantus. You said that around 25% would be the impact because of NLEM. So was that on a particular SKU or on the blended sales for Sanofi?

Rodolfo Hrosz: It was unblended for Sanofi. But as Vaibhav mentioned before, the prices haven't been set yet. So we want to be able to assert that what is that impact on each one of the different SKUs once the prices have been set by the government, which hasn't been the case yet. So this is directional decreased -- estimated directional decrease, and there is still a debate on the final prices that is still open.

Saurabh: So my second question was with respect to the revised transfer pricing agreement that you might set in with the parent. So is the goal to have a fixed percentage of margin on the sales that we would like to maintain or the absolute profitability, which we are doing right now, we wish to maintain that particular number?

Vaibhav Karandikar: So the arm's length profitability is on a percentage, and it's not fixed. It evolves every year based on benchmarks and comparisons. So therefore, I cannot say it's going to be a fixed percentage. But having said that, purely, if you look at it from an arm's length profitability point of view, it's a percentage of sales that we look at to ensure arm's length.

Saurabh: And just if you could answer that what would be like Lantus margin versus the company average margin? Would it be significantly higher or on a similar line?

Vaibhav Karandikar: We don't disclose product profitability margins like Radhika mentioned. So I will not be able to share that information.

Rodolfo Hrosz: But you can infer that from an arm's length principle that will be protected, right, locally.

Moderator: Our next question is from Sameer Deshpande from Fairdeal Investments.

Sameer Deshpande: Actually, I joined late. So I would like to know sales we had last time of Nutraceuticals and Soframycin, etcetera included. So excluding that, on a like-to-like basis, what was the growth in sales for the current year?

Vaibhav Karandikar: Like I mentioned in my slide, if you look on a comparable basis, it's 3.7% for the retail business. And excluding the -- if you don't adjust the COVID impact, etcetera, the published number is minus 2%. But on a comparable basis, considering the high COVID impact of 2021 and some other issues on product quality and supply, it's a plus 3.7% growth.

Sameer Deshpande: Okay. Including the pricing impact and reduction in volume, etcetera adjusted?

Vaibhav Karandikar: Purely the comparable, yes.

Rodolfo Hrosz: I think we need to move to the concluding question, and then I want to get back to the two questions that we were not able to answer immediately and then provide some information to those that asked.

Radhika Shah: Yes.

Rodolfo Hrosz: So I think the first one is Aspart is a competitor product, not a Sanofi product. So I don't think that we're well positioned to answer your questions in that sense. So it is something that is being applied by competitor of ours. And then the status of that application is best known by the competitor than by ourselves. But indeed, we got to the number that you asked. The size of the market is INR 800 crores for vitamin D3, and we see it growing at 3%. But I think the question includes our market share in vitamin D, that's 5%. So INR 800 crores, growing at 3% with a 5% market share for Sanofi. I hope I have answered the 2 pending questions.

Sameer Deshpande: No, no, I don't have any questions.

Rodolfo Hrosz: We just heard that you don't have any questions. What you said before we couldn't hear. But if you do have one, you couldn't hear please write and we will make sure to come back to you.

Radhika Shah: Okay.

Moderator: Ladies and gentlemen, we take that as a last question for today. For further queries or questions, we request you to write to the company. I now hand over the proceedings to Ms. Radhika Shah. Over to you, Ma'am.

Radhika Shah: Thank you. The shareholders will soon receive our annual report. And we will first give you more details on our performance in the annual report. Our AGM will be held on 11th of May, where the shareholders will get an opportunity to interact with the company and the entire Board of Directors. We would now really like to thank all the participants for attending the investor call. Thank you very much.

Vaibhav Karandikar: Thank you very much from our side.

Rodolfo Hrosz: Thank you, everyone, for joining the call. Thanks for the great interactive session. We have made our efforts to give you the clear and most complete answers as possible. Stay safe. Take care, and thanks once again for joining the call.

Radhika Shah: Thank you.

Moderator: Ladies and gentlemen we now conclude this call. You may now disconnect. Thank you for joining us.