Management Discussion

Unidentified Speaker
So let me first start by welcoming you to Novartis India Limited, NIL. This is our first investor meet and we are glad to have an audience that has come across to meet and speak to us. I would first like to start and I will also go into a detailed introduction, but first let me just mention a few people who are here.

First we have is Vikas Gupta, who is our CEO and MD. We have Bhagwat Deora, who's our CFO. We have members of the Board. We have Kshitij and Jagriti, and I want -- there is also a mention of them in the deck, so I won't take too much time talking about them.

So without any delay, let me start the proceedings. First, let me just start by reading out a disclaimer because this is going across via audio also to people who are logging in online. So the presentation on the call that has been prepared by the management of Novartis India Limited solely for the information of the recipients. No representation or warranty expressed or implied is made as to, and no reliance should be placed on the fairness, accuracy, and completeness or correctness of the information or opinions contained in this presentation. Such information and opinions in all events not current after the date of this presentation.

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With this, let me just start Novartis India Limited's investor meet. First, let me just take the privilege of introducing Dr. Vikas Gupta, our CEO and MD. The pharmaceutical industry-leader, spent over two decades across commercial, commercial strategy, business transformation, and brand-building. Vikas is known to everyone in the pharmaceutical industry. His last role was as CEO of Alkem Industries, where he has created tremendous value there. And prior to that, he was -- had important senior leadership roles at Cipla, Glenmark, and Ranbaxy Laboratories. Education, an MBBS from University of Delhi with INSEAD leadership program also to his education qualifications.

So let me just invite Dr. Vikas Gupta on stage and he will take us through the presentation. Thank you. Over to you, Vikas.

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
A very good evening to everyone, and thank you so much for making it for this event. I think it'll be better if I come off my height [Phonetic]. So I welcome you all to this first investor presentation after

the takeover for this company which is called Novartis India Limited.

I think I will just start with the thought of what is it that we intend to do over here. So we want to build a leading platform in the pharmaceutical business with this company. What this company is, I'll give you a brief glimpse of that, where do we stand today and where do we -- what do we intend to do in the near term is how I would structure the rest of half an hour or so in which I would try to give a glimpse of what exactly we are going to do about it.

Company overview, just to take you in brief, what is this entity all about. Novartis India Limited has been a household name for many decades. It's not a new company. It is a company which has got almost 79-plus years of existence. This is a company which has been listed for almost 27 years. So it's not a new name. The brand that it has has been a household name for decades and those brands have got so much potential. I think all of us sitting in this room, a large part of it would have used in our lives these brands at some or the other point in time. So that is what this company has been in a nutshell.

But this is how the most recent performance of this company has been all about. If you look at the last four years trend, the company has been pretty much flattish in terms of its revenue or whether it is PAT. So a company that houses such well-known brands, massive brand equity with the healthcare practitioners. But for certain reasons the company was not moving anywhere, has been pretty much flat. And the good thing is, it had a good cash on its balance sheet which could be put to much better use and used for the growth.

So decades of heritage to its backing, a very strong prescriber equity along with it and an untapped potential. And that's the opportunity that I believe lies ahead of us. And this is what is the thesis that if you look at the brands that are there and I'll give you a glimpse, all these brands that this company has are leaders in their respective segments. They dominate the markets in which they are present. So if I talk of Voveran, I think at any point in time, some point of time in our lifetimes, we would have used this as a painkiller. Even if today you speak to customers and you ask say, the doctors who treat pain, whenever it is a matter of pain relief, and we also did one customer inciting when we were building this whole story that when we say Voveran, what comes to your mind, they say pain relief. When it is a matter of efficacy, when it is a matter of potency, I think this is a brand that everyone relies on, right? If you look at Methergin, again a gold standard for the management of BPH. And there's no other choice. At times it is life-saving. So this is how these brands have been known by all the customers in the market.

Calcium-Sandoz, I think an age-old brand we all associate with it, but today, it's in the form of calcium. It's used for treatment of -- whenever there is an injectable calcium requirement, I think this is the brand that everybody falls back on.

Tegrital, again, when it comes to epilepsy, first choice at the entry point, the first brand that will come to any doctor's mind is Tegrital. So that's the kind of brands that are housed in this entity. That's the kind of potential, but somehow the brands have not grown, somehow revenue hasn't grown for past many years.

So this is where we stand. This is where we are. But if you look at where do we go from here and what's our business strategy, what are the areas where we would like to play. And I will try to keep it as simple as possible so that -- of course, there is a 100-page strategy document that I can talk about and go on and on, but I would just try and keep it as simple for everybody's understanding, for everybody's comprehension.

We want to be focused -- very focused on the Indian pharmaceutical market because I believe that India is one market I've always been bullish on, India is one market which has a large room of potential to grow. Very few markets across the world where you would see on such high base with increasing base, the market continues to grow at around 9% to 10%. So I think even in my previous roles, whenever I've been asked this question that, no, India market seems to be slowing down, etc., last two, three years, many of you had asked these questions in different forums, I have always believed, no, India market there is fundamentally nothing wrong and the markets will bounce back. And we are seeing it in this year. We are seeing pretty healthy growth coming back.

So we'll be very focused on the Indian pharmaceutical market. We have chosen key therapy areas. It's not that we are going everywhere and trying to do -- trying to do everything. We've chosen these six anchor therapy areas and actually, if you look at the incremental value addition that is happening into the market, these six therapy areas by themselves contribute to almost 40% to 50% of

The incremental value that's getting added to every year to the Indian pharma market. So cardiology, of course, the biggest market. Pain management, again continues to grow pretty strong.

Women's health, again, an area a lot to be done over there, CNS, And then the specialist or the specialty businesses like transplant and ophthalmology, which are also of a lot of interest as far as and I did mention on those slides that the transplant business that we inherit, all the brands that we have are actually a -- the first thing when it comes to a transplant patient is the question of survival. And many of these brands are synonymous, the quality is synonymous, so doctors depend on these brands.

And when this is not available is when they try and risk it with some other names in that molecules category. So that's another area. We want to be very specialist-focused with our strategy, and we want to have a pan-India footprint. One of the reasons why these brands have not grown and one of the reasons where we are seeing where Indian pharmaceutical market is growing is largely tier 2, tier 3 towns where for the lack of promotion or for the lack of a wide distribution network these brands have so far not penetrated. So we believe that there is a headroom for growth as far as these brands are concerned.

What is our right to win in these markets? One, there is a compounding equity and therapy extension that we can do an I'll go point by point. If you look at how we intend to grow, we want to put up a team behind promotion of these brands. If you look at the current business model, the current business model was it was given to another player at an arm's length and those players were responsible for promotion. But we have seen the last four years revenue trends that has hardly made any difference to the outcome. And this is what my strong belief is that unless you go by yourself, unless you put the promotional thrust, unless you have a control on marketing of the products, the brands do stagnate in most of the cases.

If it's not your area of operation, then it's probably a different story. But that's what the thesis is. So we will -- we are bringing back the control of promotion into our hands. So we are putting up a strong team behind this portfolio covering length and breadth of the country, almost 150,000 healthcare practitioners would be covered. There's a lot of scope for lifecycle management of these large brands wherein you can add a lot of brand extensions that are very natural choice for this portfolio, which have not been done so far. So that can add another lever of growth.

If you look at -- once you've created this kind of platform, that gives you the ability to enter into more attractive, fast-growing chronic therapies as well. So that's another point that will contribute to

our overall growth. And then if you have to look at your core therapies that you're presenting, you can clearly, once you have these large brands being promoted, you can carry with the same vehicle much more brands in that category to the healthcare practitioners. So this is how I believe that we can compound the brand equity that we are inheriting.

But in our industry, what matters really is the rigorous execution. I think in our industry, everybody has every product, right? What really differentiates is how well we execute. So I think a very strong execution focus is something that we are going to work on. And I have been in this market now for a sufficient amount of time, though we all keep learning every new day. But I believe that is something which will differentiate us from the rest. And we'll have to go after a very strong -- we'll have to bring in a very strong execution focus.

One of the important elements in that execution is setting up an altogether wide distribution network. While we inherit some distribution networks, we are expanding it. And I can tell you in the last 45 days, we have really worked on setting up that network. So earlier, we had say four CNSs etc. a limited distribution network, just to give you an example. Today we are expanding that network to almost 25. So we are planning to really have a presence and reach in almost every nook and corner of the country and we'll be ready for the same within a short span of time.

Another very important point is the disciplined capital deployment. While -- when you start doing things, it is very important to note down things that you do, but it's also equally important to focus on things that you don't do. So I believe keeping it absolutely financially prudent for any capital allocation decision that we will go. Say, to give you an example, do we need a manufacturing plant? At this stage, at this scale, we won't invest in manufacturing because it's very easy to get these products. We have the supply chain figured out for almost every product.

We believe that the capital would give a better return if deployed in marketing, in promotion, in acquiring brands. So I think those are the areas where we will be very, very focused. And I believe disciplined capital deployment is going to be one of the key aspects of our strategy. M&A is going to be a very integral part. And most recently you would have just seen this week we have -- on Monday, we did close one trademark acquisition from Pfizer in this space -- in the cardiology space. That's Minipress XL. And I'll give you more color onto that -- on that acquisition in the subsequent slides. So that is one.

And then the very next day, we closed one in-licensing deal with NHPL, where that's the ophthalmology portfolio. So two therapy areas, which were areas as part of our shortlisting where we had to operate. Now we have started our journey in those therapy areas as well.

So all this will be backed by a very strong governance framework. So you name it, it's going to be the best-in-class governance that we are going to put behind the whole asset, behind the company, whether it is various committees that are required. We have a new board in place and a new management team in place.

So just to give you a glimpse of who the new independent directors are, again, names in the corporate world with very strong backing of -- they sit on pretty much many other boards. Our Chairperson, Mr. Ramesh, has been ex-MD of 3M India. If you look at the other independent directors, Suchita Sharma has been a well-known name in the audit world. If you look at Shashank Sinha, he's been the ex-MD and CEO of Strides Pharma. So this is a group of independent directors.

And the rest of the board members we have two of them sitting here with us, Jagriti and Kshitij. In the financial world everybody knows them. We have Dr. Ashok Bhatia who has been -- played

various leadership roles at Zydus in his professional career, and myself. So that constitutes the new board. And this new Board is going to ensure a very strong governance framework is what I can assure all of you.

Equally important is the new management team that we have put. Because as I mentioned it's all about executing well. So the whole rigorous execution that I spoke about in the previous slides is going to be done by people who are from this industry, people who have very strong track record of executing things in their previous roles. So right from our CFO, Mr. Bhagwat who is sitting over here. Again, earlier with Cipla, with JB, Macleods, PwC.

Jason, I think all of you know. Jason since long has been in the investor relations, BD, and M&A roles at various organizations. Sumeet Rajput who is our business commercial head. We have Mr. Masud Shaikh, again, a lifer in supply chain. Worked in companies like Alembic, has a know-how of distribution at the back of his hand, and CHRO, Mr. Rahul Vijayvargiya. So that constitutes the new management team and all of them have been in place already and have started working on the platform.

Now I would like to give you some glimpse of what these M&As are all about. So most recently we have acquired the trademark Minipress XL. Minipress XL was trademark owned by Pfizer Inc. in the US. Again, a brand which is leader in its category, a brand that has more than 50% market share in the alpha blocker market. Alpha blocker is a category which is predominantly an antihypertensive but has also got usage in indications like BPH in urology. Wherever nothing else works when the blood pressure doesn't come down by any other therapy, I think it is implied that you give an alpha blocker, especially in the resistant hypertension cases, and the drug works well.

It is almost a textbook brand. Again, it goes in with the likes of Voveran, goes in with the likes of Methergin. So when these brands are placed in one family, they're almost all of them are synonymous with the molecules that they operate in. So again, a big opportunity. As per IQVIA, the reported revenue for March, July '26 was INR228 crores. It has a CAGR of 6.5% if you look at the last few years. But if you look at the market, the market has grown at close to around 9% to 10%. So a brand which is leader in its category because of some internal prioritization issues has not been on focus for them and we see an opportunity over here. So we believe that the leader brand can actually grow much faster than the market because the market is already growing and that was the thesis for us to take over this brand.

So if you look at the brand sells almost across the country. It's not dominant in any one particular geography. Of course, there is a slight higher distribution salience in South, but that's the case with any other chronic brand. If you will see, chronic as a market is a little higher in South, and same is the case with this brand as well. So market share ranges from 55% to 60%. So that's the kind of presence that the brand has in its market.

So this is on Minipress XL, but what it does is it gives us a very strong platform in cardiology. If you were to start from cardiology from zero, it wouldn't make that much sense. But now on the backing of Minipress XL we can even come up with newer products in that division, and we can make sure that we grow that business.

So I think that calls -- that gives us a very good head-start as far as cardiology as a therapy is concerned, and that's the number-one segment as far as Indian pharmaceutical industry is concerned. Now cardiology is even above anti-infectives. So I think that's the reason for us to look at Minipress as an opportunity. The other one is the ophthalmology in licensing. Two brands, Pagenax and Accentrix. Pagenax, again under patent. The only brand in its category. These brands

are used for diabetes macular edema as well as wet ARMD. So these indications, as the incidence of diabetes is increasing, the retina specialists are the ones who treat these diseases. And if you look at these brands, again, innovative brands, doctors vouch for -- these injections are given in the eye. Doctors are extremely choosy about what they use because in such cases I'm sure nobody would want to take risk. So they go with the global brands and this is what they are, both Accentrix as well as Pagenax. Though Accentrix has seen some sort of genericization, there are other brands that are available in the market. The total portfolio is close to almost INR100 crores plus and we have paid an upfront INR10 crores in terms of fees to the innovator.

What it brings is a lot of distribution synergy for us and what it gives us again is a platform on the back of which we can build other products as far as ophthalmology is concerned. So I think these are the two M&As that we have done in the first 45 days or so. This is from where we get going. This is from where we begin.

Now having said all of that, I just want to also call out that all this transition plan in the near term will have some impact. In the near term there will be some costs which are going to start getting incurred from now. There will be some one-time costs that will be there, which will come as part of making this commercial research model. It's almost like -- there are two cases, and many a times we internally talk about it. And there's a painting and you have to -- and there is a blank canvas. Sometimes you're just writing on the blank canvas. In this case, you have to erase that painting, make the canvas blank and then again get going about painting it. So I think all of that has got some impact in the near term. So which is what -- because the costs will start getting built up, there is a team that we are putting up. There is marketing costs that will build up. There are inventory corrections that will happen in the medium term. But over a period of time, I'm sure we are in it for the long run.

And if you look at the long-term gains, I'm sure they'll be very rewarding. From a company which has been a flat revenue trajectory, we want it to become a growth company. We want a -- we see a lot of growth happening in the Indian pharmaceutical market. We expect to grow much faster, much ahead of the Indian pharmaceutical market from here on.

If you look at the portfolio breadth, today there were only three or four assets that are there. Of course, they are large assets, but the portfolio breadth that we will have, there will be six therapeutic areas which we will go after.

We will have larger brands and you will have more newer brands that would be created in the company as far as long term is concerned. There are a lot of other growth avenues that can come in because we'll be very strong on the cash flows. So if you look at the operating cash flow and the free cash flows that we will generate, we would like to do more and more M&As in times to come, of course with the right filters that I have mentioned about in the previous slides.

Our focus is going to be very strong on the returns. So all the metrics like ROCE growth, FCS, I think these are going to be the first and foremost principles behind doing or making any such move. The interest that we have in mind is creating the shareholder value. I think that's the whole intent of going after this strategy and then there's going to be a margin uplift as well.

So while that is work in process, I think the operational effectiveness so to say, of all the things that should be looked at in terms of creating value, I think will be looked at. So this is the medium term and the long-term transition that we are going to work on.

I'll just give you the new ownership and how it looks like for the company, a 70.68% stake held by

ChrysCapital. The open-offer price was INR860. If you look at the tendering of that open offer happened between 11th to 24th June but I think very minimal shares were tendered by the public investors.

This is a brief on the ChrysCapital. While they are a, I would say, household name for every pharma -- every person of pharma interest, I think the maximum number of investments made in Indian pharmaceutical markets would have been by them. So we are backed by an investor which is -- which understands pharma business. They have had almost -- every multibagger in the recent years that has been there in Indian pharmaceutical market has been one of their investments at some or the other point in time. So we are assured of the backing of the capital that's going to come behind for realizing this strategy that I have placed in front of all of you.

So I think this is largely what I wanted to speak to all of you. Let's welcome the beginning of a new chapter. And with this, I would open the house for any questions, right? And I would also invite Mr. Jason and Bhagwat, who's our CFO, to please join me on the stage for any questions.

Questions & Answers

Unidentified Speaker
Vikas, We also have the audio line on, so we will first start by taking questions from the group present here, and thereafter we'll also move to the audio line. Just give us a couple of minutes as we sit.

So I can see Naman's hand up. So Naman, do you want to kind of take the first question? Do you want to kind of give some mics to --

Naman Bagrecha - Analyst, IIFL Capital
Hello. Thank you for the opportunity. I'm Naman Bagrecha from IIFL Capital. Very nice presentation, Dr. Vikas. If you could sum up, let's say, in terms of your long-term vision, let's say, five to 10 years, where do you see Novartis over the next, let's say, five to 10 years?

And if you could put some numbers to it, I mean, we've seen qualitative aspects in terms of how you want to grow, etc., that would be very helpful.

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
I'm good at the qualitative aspects. Numbers, you guys are better. So I would flip that one to you. But okay, if you -- so I have to give you a again a range or a qualitative aspect, and I will not talk about five to 10 years. I would say first four to five years what do we intend to do.

From this base I clearly see ourselves at least doubling up in the next four to five years. So this is what is the first goal that we would have on our mind. So I think if that gives you some sense of numbers, then this is what is the immediate, I would say, aspiration that we would set for ourselves.

And I think how we'll get there is what I've spoken about indeed. Do you think -- I mean, if you look at the company over the last four years have been flattish. Now this doubling of revenues in the next, let's say, four years, will also be included -- I mean, M&A would be part of this. So the pace of this is organic. I think organically, this is how -- and any -- see M&As are -- they happen when they happen. You can't time them, you can't really know what would come at what stage. Whatever keeps getting added, we keep resetting the goal for ourselves. That's the way we want to go about it, right?

Because see, in pharma market, what happens is the better is your scale, the higher is your ability to keep compounding. And I think that's the beauty of the asset. So our first intent is to get to that scale so that from there we can start really moving in. And that's why I'm saying --

Bhagwat Singh Deora - Chief Financial Officer, Novartis India Limited
And just adding, Naman, to your point here when Vikash is making a mention, we are taking roughly the acquisitions also as part of the organic space as we speak. So roughly the run rate -- annualized run rate should be around INR650-odd crores for '27 and you can see that doubling over the next four to five years.

There's one more question, one more question.

Naman Bagrecha - Analyst, IIFL Capital
In terms of, let's say, the therapy areas that you highlighted, the six core therapy areas that you're looking at, why these six therapy areas? Is it the strength of, let's say, the existing business? Is it the strength of the team that you're going to build? If you could elaborate on that.

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
So it's a mix of the strength of what we inherit and the therapies that we should be in. Say, for example, when I talk about pain management, when I talk about women's health, transplant, these are the strengths that we inherit and we can really go further from here.

Cardiology, ophthalmology are necessary for -- if you look at the highest incremental addition to the Indian pharma market is happening in the field of cardiology. So it's a function of these two. I hope I'm relaying it, right? So I think that is how we've chosen for these therapy areas. I think for any fast-growing company in Indian pharmaceutical market, I think these are the therapy areas that you would necessarily go after.

Naman Bagrecha - Analyst, IIFL Capital
Just to follow up on that. If everybody is after these, let's say, therapy areas, then how do you plan to outperform or be better than the others?

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
See, in again IPM, if you have a large brand that really gives you a -- it's actually a competitive advantage. If you look at each of these therapy areas that I have mentioned, we have presence in as large brands. And that's where -- and these brands are large because there is a strong customer equity that's there associated with these brands and that's why these brands are large. So actually, you're not inheriting only that revenue. You are inheriting a strong equity that you enjoy with that group of customers and then it's up to you to leverage.

And like I mentioned, it's the rigorous execution that creates the whole distinction. Of course, you're right, every company doesn't win in every molecule and every therapy, right? But our market is such where leader still is at, say, 9%, 10% of market share. And each company that executes well in the certain segment is going to have its own share over there. And I think that is what we are planning, where is it that we can be leaders, what are the complementary molecules that we can launch on the back of that equity, how is it that we can cross leverage? So I think that's why I said I have a 100-page strategic detail on how this would get executed. We didn't come to you before we understood ourselves right, right?

So today, say 45 days after making this, when we are very clear in our strategies, then we are

coming and relaying it to you. And some part of it, we have already executed. So if that gives you any comfort, any indication -- I mean we just did two of those in this last week. So I think that's how it is.

Naman Bagrecha - Analyst, IIFL Capital
Thank you.

Unidentified Speaker
Nitin, just over to you.

Nitin Gosar - Analyst, Bank of India Mutual Fund
Hi. Nitin from Bank of India Mutual Fund. So three questions. One is if you can more elaborate on your M&A criteria. You touched upon the software aspects with regard to synergies or how do you want to operationalize the benefit of Novartis brand to the next brand that you're going to acquire. Some qualitative aspects in terms of IRRs or how do you wish to scale up once you acquire and the IRRs, that should be good enough. You want me to run through the other questions as well?

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
Go ahead.

Nitin Gosar - Analyst, Bank of India Mutual Fund
Second question is more pertaining to the existing cost, which you mentioned briefly, your legacy costs or historical costs which have come through. If you can quantify what kind of magnitude of costs you think can be readjusted over a period of time which doesn't sync right now with the way the new Novartis is shaping up.

And third question is, doctors have a way of looking at a company. It's a me-too company or it's an innovator company. Though the Novartis brand does carry an innovator tagline, but the new Novartis is trying to do a me-too kind of work where the products are not novel. Otherwise, products used to come from the parent stable, which used to be the novel or innovative products. How do you fix this gap when it comes to doctor psyche?

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
So which order you want to talk on this? Okay, fine. I'll go with the M&A thing first. I think the most important criteria would be can we create value if we inherit something. And again the -- if there is a very attractive proposition, but it's coming at a price that we know we can't create value from there, I would just pass. So that is very clear.

So when I say disciplined capital deployment, I think that is one rule that we would live with, right? But at the same time, if there is something which is a large brand, which has a headroom for growth, which can really create value for us in our hands how it looks like, for sure we would go ahead and do that. If it comes in these six therapy areas, it's a no-brainer. We have to go.

Suppose there is a seventh area where I have to do things, I would really think twice. If it makes sense financially, we would go after it. If it doesn't, we would just drop it. So I think this is the color that I would give you on these.

Nitin Gosar - Analyst, Bank of India Mutual Fund
Sorry, if you can just be more specific on the IRR part as well.

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
I think the discounting that we take is around 12, 12.5.

Bhagwat Singh Deora - Chief Financial Officer, Novartis India Limited
Let me just take that, Nitin. I think a few things that we want to mention. Let's look at the current acquisition that we have done, which is Minipress. This Minipress definitely was opportunistic. In the past also, in my previous experience, a lot of this has been opportunistic. I think the beauty of all of these acquisitions where we come from is our execution capability.

So to answer that question very fair and good, the kind of execution capabilities that we can drive and including the synergies that we can kind of look at post a brand acquisition. Let me just give you an example of Minipress that is there. And let me not look at it the IRR way. Let me just try and answer you the way I'm looking at it.

If today I'm going to get an EBITDA -- starting EBITDA of INR90-odd crores coming in from a Minipress brand, which can grow significantly for my investment of INR1,250 crores, that itself should answer your question into what is the return. That is, I think, the most important thing.

The second element is that, yes, we would love. In fact, if you ask us more than IRR, I'm at least more interested in looking at the payback period, okay? And that is something that if you look at it post synergies, I think we will be comfortable between an eight to nine years.

Now please remember one more thing. It is a very competitive market out there. You would have seen some of the assets that have come in there, very expensive that is there. But I think the beauty for us is that we've got a very strong base. I think in each of the therapy areas that we are present in, we have one anchor brand each. And the important out here is that for us, a bolt-on which comes into a therapy area, we would be able to pay up and still meet our payback criteria and returns. And I think that is the big differentiator for us. And then you will see that playing out very clearly. And as Vikas said, if there is something that doesn't fit in our appetite, we will just not go after it.

Nitin Gosar - Analyst, Bank of India Mutual Fund
Second one was on the historical costs and if there is something that you can quantify, you can read it out.

Bhagwat Singh Deora - Chief Financial Officer, Novartis India Limited
Historically, we were at a cost of quarterly run rate of INR10 crores to INR15 crores as a listed entity. Now when we are doing these -- all these team building, marketing activities and all of that, so we see an incremental cost of around INR40 crore to INR50 crores per quarter. That's what we are looking at it from, say, at that run rate what we would hit from next quarter onwards. This is purely in terms of investing in the market and which Vikas spoke in his presentation that what are we going to invest in terms of building the team as well as creating our credibility in the market.

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
And the third was qualitative on innovator versus --

Nitin Gosar - Analyst, Bank of India Mutual Fund
Doctor psyche.

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
Yeah. India pharma market is a branded generic market largely even today. So there is room for and I think if doctors were to classify between me-too and innovator, the presence in the market would

look very different.

I think they associate with the brands that they remember. And that's why I've always said that any company that has these leading brands, which have got very strong brand equity with the customer clearly has a competitive advantage. And I think from that standpoint, we are lucky that we are inheriting that. Thanks, Nitin.

Unidentified Speaker
Yeah, please. Hello?

Brajesh Nirala - Analyst, 3P Investment Managers
Yeah. Hi. This is Brajesh from 3P Investment Managers. On your slides you mentioned about changing the name of the company in the near term, right? So how that is going to impact the brand recall of the company in doctor's mind and patient's mind?

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
So see, we will be going to the shareholders for the necessary approvals for the change in name. Like I mentioned, and again, I'll repeat, doctors associate with the brand names of these -- of the products. So brand names of the products are going to remain the same. It's the parent entity that changes -- that gets changed. And sometimes when you're going with a new strategy, you're going with an altogether new energy to the market, I think that change of name really helps that it is a new identity that we have created that has got these brands. So I think that's the way we look at it. It's an opportunity.

Brajesh Nirala - Analyst, 3P Investment Managers
And the second question is, is there any revenue sharing or royalty fee payment to Novartis for Accentrix and other brands which I forgot?

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
It's an in-licensing agreement where we are getting it at a transfer price, and we will be marketing it. It's like any other distribution and exclusive distribution and licensing. That's how it is.

Brajesh Nirala - Analyst, 3P Investment Managers
Okay. And Accentrix is in the market for long, but still Intas has like captured a large portion of that market. So how do you take that competitive landscape evolving?

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
See, like that, for various brands there would be various competitors. So I'm not commenting on an individual brand or an individual company or individual competitor. I think we have our strategy figured out from this space how we have to go. At the same time Pagenax is a huge opportunity, right? So something is the nature of the market, individual brands, individual markets, how we will compete. I think we'll see as we progress, right?

Brajesh Nirala - Analyst, 3P Investment Managers
Okay. Thank you.

Unidentified Speaker
Thanks Brajesh. Please.

Manoj Bagadia - Analyst, Equicorp
Hi. This is Manoj Bagadia from Equicorp. My first question is, what is the time frame you'll take to set the sales engine as well as the distribution network? And the cost you mentioned that INR40 crores to INR50 crores will be spending, but what is the timeframe by which it will start working completely?

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
I think we've started hiring, so some of these costs will start building from Q2 onwards. I think by the end of Q3, we should be fully on-board, we'll be fully in the market. So if Q4 is any indicator, you will have the full costs being reflected from Q4 onwards.

Manoj Bagadia - Analyst, Equicorp
And the productivity from the sales rep? When do you see that? Q4 onwards you will see?

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
Because we are hiring now. We are setting up the team de novo. So now from now on, for next two to three months, whatever time it takes to hire people, to get the engine running, to get them onboard, it will take us that much time. And then we will start seeing -- people will be fully operational by the end of Q3 -- around December should be the case.

Manoj Bagadia - Analyst, Equicorp
You mentioned about the strength of the brand. If I recall, Abbott in 2005, they got a new leader. Abbott India, they got a new leader. They had the very strong brands and we have seen the progress what happened in next five, seven years from there. Do you see similar things happening in our case with the line extension as well as what else?

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
I am not comparing to anyone, but I have full confidence in myself. At least that much I can assure you. And see, for me also, it was -- it was a big decision for me to come and be a part of this story. I am very excited about it and this is how -- I think this is the confidence that I wanted to give you when I was showing you the numbers. Let's see how it goes.

Manoj Bagadia - Analyst, Equicorp
That was one of my, why you came to such a small company.

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
I preempted it, and that's why I answered it.

Manoj Bagadia - Analyst, Equicorp
Okay. Sir, my third question is whatever agreement we had, we terminated with Dr. Reddy. So is it possible to quantify the financial impact of the termination fee as well as the stock returns and everything?

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
So I think when -- it's still in the works. So we are not talking of any financials over here right now. I think once we will close the quarters, etc., we will have -- after second quarter, we will have a clear answer to that. And at that time, we'll be in a better position to give you specifics.

Manoj Bagadia - Analyst, Equicorp
Thank you.

Unidentified Speaker
The next question, yeah, please.

Mehul Dalmia - Analyst, Edelweiss Mutual Fund
Yeah. Hi. Mehul Dalmia from Edelweiss Mutual Fund. So want to understand two, three things from you. So first one being, when you look at the current MR force at roughly 900, or is that the number that you're building up to?

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
Yeah, we're building up that number.

Mehul Dalmia - Analyst, Edelweiss Mutual Fund
So want to -- so generally we've seen whenever companies have added MRs, it takes around two years for them to fully ramp up. And obviously they're starting from a low base and we're kind of growing the brands and we are still looking at M&A opportunities. So as you're looking at your growth, I would say assets are not as cheap as they used to be. So how do you draw synergy, especially when you look at growth, how much portion of that you think will come from M&A because -- and how do you think of synergy from that perspective? Because it's not like you take up a brand and you have a pre-existing field force and you push it to them? So your thoughts on that?

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
I think Jason just clarified the growth, that aspiration that we were talking about is more for organic piece that we have as of now. And I believe when you have a clean slate from which you are starting, these things are sometimes easier than redrawing and then doing things. So I think we are in that phase right now.

And I believe from January onwards we would be actually starting afresh, or December whatever that time frame it takes. So I don't foresee that as a challenge for absorbing any other asset if at all it comes -- any opportunity comes. So will timing be the right opportunity -- will be a deciding factor? To my mind, I don't think that should be a case, and we'll figure out how do we draw synergies, how will we --scale or capability is not an issue. But I think for now, we are concentrating on what we have acquired and inherited. So we want to get this engine running and from -- and then as phase two we will look at the subsequent M&As, if at all they come. So organic growth would be a key factor for us to go after.

Bhagwat Singh Deora - Chief Financial Officer, Novartis India Limited
But Mehul, just to kind of elaborate on that, I mean, as we mentioned earlier, in each of our therapy areas, there is a certain investment that we've made. Most importantly, in each of the therapy areas, we have a very, very strong anchor brand. So for us, bolt-ons in the existing therapy areas are going to be -- going to deliver great synergies. So I think that is something that we will always keep note of while looking at M&A opportunities.

Mehul Dalmia - Analyst, Edelweiss Mutual Fund
And in terms of these anchor brands, as I see, I think Voveran is at INR240 crores. All of the others are sub-INR50 cr today. So obviously, that's also, put one-way, an opportunity to grow. But the other way I look at it is that how important do you think is to have a basket of molecules when you

are going to the doctors today? And how are you thinking of building that up?

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
So like I mentioned, each of these vehicles that we would, we would build to go to doctors will be fortified further with new introductions as well. So it's not that we are going to the market only with these brands. So two aspects there. One is the brand extensions in this space wherever the regulatory after necessary regulatory approvals. And second, the new introductions or the fast-growing therapies which may not have been possible in the previous avatar of this company. Today we have that as a part of strategy.

Unidentified Speaker
So before we take the next questions, Vikas, on the webcast, one of the questions is that what is going to be the new product introduction strategy and how do you see that helps growth.

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
I think part of it I already answered. The new introductions would happen only in the focus therapy areas that we are going after. The divisions, the field force that we have built just to improve upon the per cap productivity of the individuals and the operational synergies are maximum when you introduce new products in those categories. So I think, again, for the sake of repetition, the lifecycle management strategy for the large brand and the new introductions in those therapies that are fast-growing is going to be our focus.

Unidentified Speaker
Yes, why don't we take a question from --

Unidentified Participant
Hi sir. This is [Indecipherable]. So we have contingent liabilities that was there in the balance sheet against Voveran and Tegrital and I think this is based on the NPPA pricing dispute since 2014, and you've not actually provided if you could give us some more understanding there. And for other drugs what would be the contingent liability? That's one.

And number two is on the income tax liability of about INR300 odd crores. If you could give some more understanding, if it could materialize. You've actually provided that. If you could give some more details out here.

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
So not going into very specifics, but these are renewal litigations which are on for more than last 10 to 15 years. There is no change. And at least from the [Indecipherable], what we've understood, last seven, eight years, there is no hearing up. So there is no movement on that litigation, right? So that is as and when it comes up, we look. But when in terms of compliance, what we looked at it, the entity was compliant, okay, and that's where it stands currently and that's why this mitigation is on. Even tax matters, yes, wherever we see that already provided in the books of accounts. So that's where these traders are. Yeah.

Unidentified Participant
Sir, lastly, if you could highlight on the sales potential possibly from Accentrix and the Pagenax portfolio that you've got in ophthalmology.

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
I think brand-by-brand projection I'm not getting into, but here the overall aspiration for the business as a whole is what I've given. But we believe that these are therapies that can really give us very good entry point for building the whole ophthalmology as a franchise. I mean that's the reality.

Unidentified Participant
If I can just put one more comment, I think so as one of my previous participants also visited, Intas got a biosimilar there and it's one of the cheapest out there. So how do you actually see us getting market share from the competition? For example, in Minipress it's USV and Glenmark. Glenmark I think --

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
USV is not there, it's Sun Pharma, Larenon and Minipress it's more of that. So two, three-player players market. Yeah. Similarly, see, in India, like I said, there is a place for innovator molecules, there is a place for genericized molecules. They are at different price points and they have their own perception, very distinct positioning in the minds of the customers. So while it will not be a very fast-growing category, but still there's enough room for the brands in both the spaces to coexist, right? And especially in biosimilars and this kind of products. It's always a limited player market.

I don't think ranibizumab is a category where there are 100 manufacturers. That's not the case or there are 100 players in the market, right? It will always be a four to five player market. And there is enough segment that you can create for yourself to compete in that market. And Pagenax again, like I said, is a big opportunity. That's the only one in its category. I think we'll deal with that as it comes. We've built all of that.

Unidentified Participant
Plus it gives you a platform, right?

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
Yes, that's right.

Unidentified Speaker
So I think just the next question is, I think, comes from Rohan Shah, Alpha Investments. Bhagwat, would you please provide details on licensing terms of Sandoz brands and also brands from Novartis. Are these in perpetuity or are there any future royalties or payouts due?

Bhagwat Singh Deora - Chief Financial Officer, Novartis India Limited
So Novartis brands, again specifically Voveran and all are trademarks, which have now been assigned to the company, which was not the case earlier. So now these trademarks belong like Voveran, Methergin, these brands belong to the company. Sandoz is for a period which you would not disclose, but it's for a longer -- long-term period we have. And other brands will continue, the imported brands which were there earlier, we will continue to import and we will have an exclusivity period for a longer term, I would say. And that will -- still we'll be buying and it will be like in-licensing from Novartis to us. That's the model which we will be operating currently.

Unidentified Speaker
And no future royalties?

Bhagwat Singh Deora - Chief Financial Officer, Novartis India Limited
No future royalties, yeah. This will be an exclusive distribution kind of an arrangement for the imported products.

Unidentified Speaker
Yeah, we'll take the next question. Yeah, please.

Ramesh Bhojwani - Analyst, Mehta & Vakil
Sir, Ramesh Bhojwani from Mehta & Vakil. It is really a delight that you have reconnected, and the thoughts which you are very subtly and sublimely shared of renaming the company, I believe basically you are more attached to the Sandoz roots than the Novartis roots, but it will come in due course.

Okay. Two thoughts were there in my mind. You mentioned that Voveran whatever the competition continues to remain as the number-one painkiller because I have orthopedic surgeon as a friend, okay, and he will write only Voveran. And many years ago for my mother, he had recommended calcium, but Shelcal of Elder.

Elder closed. Shelcal went to some other company, and very honestly, its efficacy is not what it was. You have a brand in Calcium Sandoz. If you can rebrand this and communicate on all media, not only for what it is existing, but higher efficacy for usage like Shelcal, particularly for women who cross 40 or 45 because their bone strength gets weaker and their calcium need is a must. This kind of efficacy improvisation, not only in Calcium Sandoz but in your other brands, will do two wonders. One, it will be like rejuvenating and revitalizing each and every brand, each and every specific generic or otherwise. So I thought I will share your thoughts of it.

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
Thank you. Thank you so much for the feedback. Well-noted and we will see what we can do.

Ramesh Bhojwani - Analyst, Mehta & Vakil
Thank you and all the best.

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
Thank you.

Unidentified Speaker
Any more questions from the audience?

Unidentified Participant
Just one question. If you could give -- last one, if you could give us the playbook in the Tier 1 market as well as the Tier 2, 3 markets for the Voveran portfolio -- for Voveran portfolio, the pain management.

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
Voveran portfolio. Playbook as in -- so like I mentioned, we will have the distribution network in the widest corner of the country. The product will be reaching to -- we will have more than 4,000 to 5,000 distributors that would carry the product now to the widest corners of the country. So from a distribution network, we are all setting up and will be sorted within next one month or 45 days. So we will have our field presence in many of those markets, which are beyond Tier 1 markets. So I think that will give us another leverage as far as --

Unidentified Participant
Exactly, my question was that in the 2, 3, 4 cities, how much field force do you plan to add and HCPs you plan to cover?

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
HCP numbers I gave you, close to 150,000 and I think that can happen only when you get to the widest corners of the country. So I think specific headquarters straight, if you're looking at, maybe we can have an -- I mean, we're not getting into those details right now. If you have anything specific, you can reach out to us, right?

Unidentified Participant
Hi, just a small question. How do you plan to fund the Minipress acquisition?

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
Okay. So we have taken an exploratory approval from the board. We are exploring various options to repay the debt that we have taken for this acquisition. We will come back with specifics as and when we get clarity, but we don't want to keep the balance sheet stressed for a long time. So before the end of this financial year, we expect a significant amount of that we would have repaid.

Yeah, whether it is -- various forms of capital raising is what we will go to the market with. We are figuring that out. I think you'll get to know of it in a month's time or so.

Unidentified Participant
Thanks.

Unidentified Speaker
We'll just take a question from the audio link next.

Operator
Thank you. First question is from the line of Vishal Manchanda from Systematix Group. Please go ahead.

Vishal Manchanda - Analyst, Systematix Group
Hi. Good evening and thanks for the opportunity. With respect to the Minipress acquisition would you be inheriting the sales force of Minipress or you would be entirely hiring afresh for the brand?

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
Yeah. So Vishal, we'll be hiring afresh. We're not inheriting any manpower as part of the deal.

Vishal Manchanda - Analyst, Systematix Group
Okay. And with respect to the manufacturing, since Pfizer has discontinued, do you have an alternative source in place? And I also understand there is complexity in the product from a manufacturing standpoint.

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
One, we have big stock. Yeah, so patients will not have any issues with regards to the availability, and we have the supply chain figured out for the product, and that's why we went ahead. So I would give an assurance on the same.

Vishal Manchanda - Analyst, Systematix Group
Got it. Got it. And --

Unidentified Speaker
Hello. Is there a last question from you? Do you want another question?

Unidentified Participant
Yeah, I have one question.

Unidentified Speaker
Go ahead.

Unidentified Participant
Sir, this is -- myself Ankush [Phonetic]. Sir related to the profitability. Last year we had 27% of the margins. Now Minipress acquisition is there. Further, we are adding manpower acquisition costs. So could you throw some light that how could be the profitability as compared to last year in the upcoming next three to four quarters?

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
So see, like I've said, it's a commercial reset. And that's why I'm calling it out upfront that I think Bhagwat has given an indication of the costs that will be built up quarterly. So you will -- we will have a dip for sure as a -- as a part of doing this commercial reset. But we will start getting better from there. And I think our focus will be on growth. And that's the guidance that I've given you that this is our aspiration as far as growth is concerned.

So in the short term to medium term you will see a dip because these costs will be built upfront and then revenue starts happening over a period of time. But I think from here on, next financial year, we would be better than this. It will take us to come back to this level maybe by two to three years, we should be coming back to upwards of 20%. I think that's the timeframe. But if you will look at the top line, it would be very different by then.

Unidentified Participant
Thank you.

Unidentified Speaker
That's it. You had a question? Okay. Anyone else? Or we take -- I think if there are no more questions, I think we can call it off. Do you have any closing remarks that you want to --

Vikas Gupta - Managing Director and Chief Executive Officer, Novartis India Limited
No. I think thank you so much once again, all of you, for taking the time out. We're just attempting a makeover for what we have inherited. Like Kshitij always says, we are -- we are erasing and then painting a new picture now altogether. So I think that is what we are going after. We'll need your best wishes and we'll keep interacting from time to time, right? Thank you. Thank you so much, everybody.