“Natco Pharma Limited
Q1 FY2022 Earnings Conference Call”

August 12, 2021

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Moderator: Ladies and gentlemen, good day, and welcome to the NATCO Pharma Q1 FY2022 Earnings Conference Call hosted by Investec Capital Services Private Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anshuman Gupta. Thank you and over to you Sir!

Anshuman Gupta: Thank you moderator and good morning everyone. On behalf of Investec Capital Services, I welcome you all for the NATCO Pharma's Q1 FY2022 Earnings Call. Today, we have the senior management represented by Mr. Rajeev, he is the Vice Chairman & CEO and we also have Mr. Rajesh, he is Vice President - Investor Relations and Corporate Communications. Over to you Rajesh Sir! Thank you.

Rajesh Chebiyam: Thank you, Anshuman, and good evening everyone and welcome to Natco's conference call discussing our earnings results for Q1 FY2022, which ended on June 30, 2021. During this call we may be making certain forward-looking statements, which are predictions, projections or statements about future events, and anything said on this call, which reflects our outlook for the future or which could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces. I would like to state that the material of the call except for the participant questions is the property of Natco. It cannot be recorded or rebroadcast without Natco's expressed written permission. We will begin the call with the broad highlights and followed by an interactive Q&A session. We hope you have received the financials and the press release that was sent out earlier. These are also available on our website, so we will open up for Q&A and then we will discuss the details. Over to you Rajeev!

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ravi Dharamshi from ValueQuest Investment Advisors. Please go ahead.

Ravi Dharamshi: Just wanted to check what is the status on the Molnupiravir trials and what is the timeline and when can we expect kind of an emergency use authorization for that?

Rajeev Nannapaneni: We already filed for approval Ravi so all the data has been shared, we have shared our interim clinical data and it has been filed with DCC office, they are evaluating the file. At this time I do not have any feedback on any timelines at this time but we have filed all the data I think and we filed our clinical data and all the chemistry data and all that stuff is already done so the ball is with DCC at this time.

Ravi Dharamshi: Right one more question on the recovery on the domestic business front if you can give us some sense on how the things are now today now that the second wave has also subsided is the business back to normal or where are we in terms of recovery?

Rajeev Nannapaneni: I think the domestic has done extremely well last quarter driven by the pandemic so we had a few products which were used in the pandemic so I think we have good earnings especially in the month of April and May we had very good earnings June it peaked out so I think April-May we had very good sales. Regarding the pandemic I think June has slowed, July dropped dramatically, August there is slow increase I think that is what I am feeling at least based on secondary sales of our product from what I am getting I think there is some increase in cases I think that is what we are saying. Again we never predict the pandemic when it happens it happens, but our sense is that I think in the next few months there will be increase in sales.

Ravi Dharamshi: Just one last question from my end in one of our previous interaction I think you had mentioned that there were some gaps in your overall strategy one was a domestic piece and second was maybe a frontend in US so just wanted to check if there is anything happening on that front have we take any steps for the same?

Rajeev Nannapaneni: We are shopping for a US front end I think we said that in the past I think we are still shopping so we are looking at quite a few transactions but nothing definite at this time where I can say that we are close to a transaction but we are shopping so I think that is clear. Regarding domestic as well we are always looking for opportunities as well and we are shopping there as well, but between the two I feel US valuations are far more reasonable than what is happening in India so I think that is my sense but again we are always looking for an opportunity and I think that is very important.

Ravi Dharamshi: Okay thanks and I will join back for the queue if any further questions.

Moderator: Thank you. The next question is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil: Thanks for the opportunity. Rajeev would you spell out how much of the domestic sales would be from COVID and from our regular onco and other businesses would it be 50:50 or something?

Rajeev Nannapaneni: For strategic reasons we do not like to spell out literally how much we made in a particular product I think if you look at the base sale as good increase has happened on the base sale so I would attribute lot of it to COVID. I do not have an answer to your question my friend but I think good percentage of the growth has come from, I think a good trend you can see from last quarter and the present quarter and I think you will see a dramatic increase in

domestic so if I remember percentages almost 60%-70% increase compared to the previous quarter so I think a lot of it is attributable to COVID.

Nikhil: On the export side if we go by the sequential run rate in March we were at 150 and this quarter we are at 145 and if we look at it we had a few product approvals which we had mentioned that we have launched so is it like a lot of profit contribution or the partnership sharing will come in Q2-Q3?

Rajeev Nannapaneni: Even though we got approval last quarter the actual loss has happened in this quarter because logistically it took us a while to complete all the three validation parts you can sign so we did not launch literally on the day of the approval so there is a lag between the actual approval and the launch so the actual launch of Everolimus the immunosuppressant where the second generic happened in this particular quarter so there is a bit of a lag there and strictly it is not comparable because we had the upside of Chloroquine and Oseltamivir and now we do not have any sale on those two products so we have minimal sales obviously, so I think that is the reason why you are seeing a variant in the numbers, but I think the exports will get better I know there has been a soft last quarter but I think there was two to three things happened last quarter I think same quarter last year COVID was raising and there was a lot of supply chain disruption so a lot of people got a lot more stock than normal that was one reason and then Chloroquine impact and of course Oseltamivir impact so these are missing now so that is why they look a little soft but the business is fairly solid I think you will see in Q2 and Q3 things will be fairly steady and of course we have our jackpot coming by end of the year so overall for the year I think we are very excited about our export business.

Nikhil: Last question on Nexavar if you go by their own presentation they themselves are saying that the sales are dropping year-on-year do you think that is still a good enough product for us or would you say by the time we launch how do you see the position on that product?

Rajeev Nannapaneni: I think the good product it is a reasonable size product I do not remember the sale numbers I think it is like 300 odd million if I remember right in that range I do not remember the exact number so I do not want to guess but I think in that region. You look at it like this we are the sole FDF so we have the 180 days so we will have reasonable upside so whenever that happens we are not supposed to discuss the date but whenever it happens it will be a good one.

Nikhil: Sure thanks a lot I will come back in the queue.

Moderator: Thank you. The next question is from the line of Abdulkader Puranwala from Anand Rathi. Please go ahead.

Abdulkader Puranwala: Two questions from my end, first on the India business so what is the status on Apixaban and what is the kind of traction we are seeing considering I think we have relaunched this product in Q1 so could you throw some light on the new launches on the India business as well?

Rajeev Nannapaneni: As I said earlier I think the COVID portfolio did very well Apixaban, Amphotericin B, Posaconazole and Baricitinib these are the four major COVID products that we have had, I am not going to split the sale for strategic reasons but I think these four are the key products and I think in all of them a lot of the products had very little competition so that is why we did very well in that particular quarter.

Abdulkader Puranwala: Next question was is there any update on the crop protection or the agrochem segment could you provide some highlights on what is the status of the litigation and are we prepared for launch maybe by next year or so?

Rajeev Nannapaneni: We have already announced in early July that we got instructed by the Delhi High Court so we have appealed the decision and I think the judges are slated for hearing I think around September last week if I do not remember the date exactly I think it is around September 20, 2021 and September 20, 2021 I think he gave one day to them and one day to us so hopefully this is all subject to the hearing going on time and everything going well so if the hearing is concluded in September assuming again with court you can never guess but all goes well and we are able to conclude the hearings by September end then the divisional bench will reserve the judgement and then we will hopefully we will get decision which is in our favor and we will see how it goes we will update hopefully by the next quarter call will have some clarity where the case is so I think we are hopeful about our legal position and we believe that we have a very good case and our view is that if the hearing goes well and they are able to conclude on time I think we could come back subject to the court decision which is end of the year Rabi season.

Abdulkader Puranwala: Sure Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Shivram Gupta from AsterMinds Enterprise Solutions Pvt. Ltd. Please go ahead.

Shivram Gupta: I have two questions, first question is with some of the cash generating drugs that are going off our portfolio like the Tamiflu and Hep B and Chloroquine what is our next portfolio going to be in the next two to three years that is my first question and second question is we have heard some information from the social media that the Morgantown plant has been shut down which basically does some quality checks for Copaxone, how was the Copaxone sales and how is it going to impact our sales and is there any impact at all?

Rajeev Nannapaneni: I will start with the portfolio I think in the near-term obviously we lost the big ones but I think we have survived reasonably well I know we have not grown but our profits have stayed flat in the last couple of years in spite of heavy lost of blockbusters. In terms of portfolio update we already spoke about it but I will just reaffirm it again so for this year my friend I think the two big ones I think the Chlorantraniliprole appeals verdict would be a very critical vertical verdict to look out for so if that appeal goes in our favor then there is a reasonable upside that could happen in this financial year and another product that the other gentleman referred to was Molnupiravir again we are very bullish about this product so we are well prepared for the launch of this product and this is used in anybody who has mild COVID or in the first line and we all know COVID is going to be around for a very long time so we believe that this product has a very good potential for the coming few years. So in addition to these two obviously we have Lenalidomide launch in some major markets and publically we already disclosed that the US launch is in the March quarter of 2022 so some of the earnings will come from there and the other market also is going generic so we will disclose it later as we get closer to the launch date. I am overall fairly bullish and Everolimus portfolio also should do reasonably well so we have very good reasonable large quantities that we have sold in this quarter so I think that will stabilize the business, but for a reasonable upside I think these three things will be very important Molnupiravir, the agro product and Lenalidomide I think these three are the big things to watch out for the next few months. The last question you had was on the Morgantown shutdown so to answer your question Mylan has an alternate site for testing the products so the shutdown has no impact on us.

Shivram Gupta: Thank you.

Moderator: Thank you very much. The next question is from the line of Ankush Agrawal from Artifacts Capital Ltd. Please go ahead.

Ankush Agrawal: In case of agrochem did you get a decision to go in our favor in that case what kind of cost or damages are we looking at in terms of litigation costs, damages or inventory write-off we can highlight something on that?

Rajeev Nannapaneni: There are no damages because we have not launched the product so there cannot be damages and you are not caused any damage to anyone so legal costs are the only ones that are already expense in the balance sheet.

Ankush Agrawal: In terms of inventory?

Rajeev Nannapaneni: Inventory yes we have built up inventory I think we are very clear that if you want to launch a product like this you need to build inventory. I think the best case scenario is if we get the

favorable verdict then otherwise we need to carry the inventory into next financial year, the patent goes out in August 2022 so that is the worst case scenario so the launch will get delayed to August 2022 I think that is my understanding. I am not taking write-off we believe that if we do not sell it now we will be able to sell it in the next financial year so it should be fine.

Ankush Agrawal: Okay got it. Thanks Sir.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from DAM Capital Advisors Ltd. Please go ahead.

Nitin Agarwal: Thanks for taking my question. On the US there has been a talk across various companies have reported around significant pricing erosion in the US now that is largely for the overall portfolios but in your portfolio have you seen anything dramatic on the prize erosion side in your inline products?

Rajeev Nannapaneni: I think the other products have been fairly stable it has been alright I think we have taken a little bit of hit on Doxorubicin so that is one of the big profit share that we have seen a reduction compared to the last year so there has been a dramatic drop on that one. That is how US business works if you are going to see competition you are going to lose profit and this business is all about trying to launch, difficult to do generics and try to be in the first place and that is how it works and I think you just need to come up with a newer addition.

Nitin Agarwal: Secondly on our non-US businesses on the formulation side obviously you talked about the Lenalidomide launch in a few geographies that will happen except that how do you see these geographies in terms of the growth difficulty for the next two to three years?

Rajeev Nannapaneni: It is doing well I think all other subs are profitable so Brazil has turned profitable this quarter that has done well, Canada is doing reasonably well, our other smaller subs like Singapore and Philippines are doing well. We are happy with our focusing on non-US markets so these markets now are even on a base case are representing about 13% to 14% of our topline so there has been a good diversification of our revenue which was these markets contributed almost nothing three years ago so I think we are happy with how we are progressing and we are also looking to expand other markets and we are looking for assets in other markets so I think the way this business works is these are sweet quarters, one you had smart US portfolio which are difficult to do, you need to have a smart branded generic business and three you need to have a geographical diversification, I think if you get these three things right then you can have successful generic business that is how it works that is a formula.

Nitin Agarwal: Okay thank you.

Moderator: Thank you. The next question is the line of Rahul Veera from Abakkus Asset Manager LLP. Please go ahead.

Rahul Veera: Sir I just want to understand like in terms of the domestic formulations of where, our earlier topline used to be around Rs.800 Crores to Rs.1000 Crores how soon can we get back to that, understands the COVID impact but except for COVID impact also when do we see returning back to that domestic formulations?

Rajeev Nannapaneni: I think our peak sales were about Rs.800 Crores out of which Rs.500 Crores was a Hep C Rahul so that Hep C annualizes dropped to obviously about Rs.40 Crores to Rs.50 Crores so there is almost a 90% dip in that business. In terms of coming back and all things we are doing well in these segments that we are operating in and I think we repositioned our portfolio and focused on the COVID product so you have seen the pre-positioning that we have seen on the COVID and that has done wonders for us in last quarter and we have a good position in the COVID portfolio going forward for the next few months. See what COVID has done is done a lot of disruption honestly what has happened in the whole today 20% to 30% of the growth of the business is COVID or COVID related drugs or COVID related supplements and so on and so forth so without getting COVID you cannot grow in this business okay that is one so I think in COVID we have a fairly reasonable strategy but the other businesses we are doing reasonably well in cardio, onco and gastro so what we have done is to increase sales we have launched a division called Natco Reach so we are going to have about 150 to 200 drugs is what we are targeting so what we believe is this division will focus only on COVID products and other diabetics and all for GPs because one of the biggest things that I have seen in COVID is a lot of patients do not go to corporate hospitals they actually get in touch with their GPs who treat COVID initially before they go to corporate hospitals so we have actually launched a division which focuses on general physicians for COVID and also the allied portfolio of diabetes for the basket so that is one of the measures that we have taken. To increase dramatic scale this is one way and another way we need to look at a strategic acquisition which can help you build that momentum. This is one of the two things you have to do.

Rahul Veera: Over the next three to four years cumulatively our cash flows are going to be Rs.3000 to Rs.4000 Crores at a minimum in my estimate so I was thinking why not maybe expensive evaluation on the domestic side but why not it can be a high cash flow throwing business right?

Rajeev Nannapaneni: You do not buy something just because you want to buy something, you have to be very careful with how, you would have some minimum return on capital expectations, see even if

you pay more then you need to have an idea with that portfolio where you want to take that portfolio just because for the sake of doing an acquisition you do not want to do and a lot of people have said this to me many times you kept so much cash on books and emergency acquisition but see if you do not fund right acquisition better not to do a bad acquisition I think this is my philosophy. I think we will do it at the right time I think we just have to find something strategic we should have to be patient.

Rahul Veera: Fine thank you so much.

Moderator: Thank you. The next question is from the line of Kunal Randeria from Edelweiss Financial Services Ltd. Please go ahead.

Kunal Randeria: Thanks for giving me the opportunity. Rajeev you have been mentioning right that you want to buy some strategic assets so can you share with us what exactly you have in mind and is it co-developer filing with our partner or in-licensing or buy it outright?

Rajeev Nannapaneni: I think we mentioned that in the call earlier I think what we are looking first are two things Kunal I think one is looking for a front-end presence in the US, I am not looking for any large front-end I just need a reasonable front-end with basket so that we can launch our own label I think we have done a lot of licensing deals for the last decade in the US and I think especially for the tablet products and all you need to have your own front end. The complex generics and all I am still comfortable doing like out-licensing deals with bigger companies because the regulatory and the expenses and the pathway for that is not straight forward so we have changed the model in the US I think we will do front end for our straightforward portfolio but we will do alliance for complex generics so that is one acquisition target and another one is the branded generic space anywhere in India or any other market so these are two areas I believe we need to do which is I think the two big things we need to fill in our portfolio.

Kunal Randeria: Clarification here any other market I believe it could be maybe a Brazil right because that is your biggest branded market maybe outside of India?

Rajeev Nannapaneni: Any reasonable market we look at a lot of opportunities but I think the core markets are India and US I think these are the big markets, we do not mind looking at other markets also because I am also very keen on diversification on revenue but you test the transaction by its merit so we are not averse to any particular market. There are only two to three, we need to diversify our revenue, build a good branded generic business and have direct access to the market it meets the criteria we look at it.

Kunal Randeria: I just have one more domestic oncology has the competition really intensified or the hospital visits have not picked up so do you think that you will probably be able to go back to sort of 400 Crores kind of peak revenue that you had hit a couple of years back?

Rajeev Nannapaneni: I think the portfolio is doing reasonably well but there is price competition absolutely what you said is right. The hospitals are okay now like right now this month things are fairly normal so at the peak of the pandemic again sales dropped a bit so there is a lot of yo-yoing in the sale in onco so I think I am not able to predict anything, so we have good pipeline we have good launches, portfolio is doing reasonably well I will not say that it is not doing bad but again we faced the brunt of the pandemic and the erosion in the portfolio.

Kunal Randeria: Thank you and all the best.

Moderator: Thank you. The next question is from the lion of Kunal from Vallum India Discovery Fund. Please go ahead.

Kunal: I wanted to understand on CTPR judgment and could you please throw some light we do not want the exact details but we are looking for some light on the reasons why the judge decided to rule against us and grant the injection to the innovators?

Rajeev Nannapaneni: Why the judge decides to rule against is your question?

Kunal: Yes because we have as a company acquired fair amount of confidence that this would work in our favor so I do not want to know the exact legal thing aspects of it but does it materially reduce our chances of getting a better decision as we appeal to this?

Rajeev Nannapaneni: I personally believe we have a very good case but obviously the judge disagrees with us and I think we believe we have some very good points and I think we are taking it up to the appeal but that is the nature of it. In business when you do partner litigation you are going to get some decisions in your favor and some decisions sometimes go against you that is the nature of the business and regarding the judgement our lawyers still believe that we have a good chance we are appealing and we will see how it goes.

Kunal: Sure and just one question Revlimid Canada would it be launched in this year itself in the March quarter along with Revlimid in the US or would it be launched at a different timeline either this year or next year?

Rajeev Nannapaneni: I think we are bound by confidentiality about the date I will discuss and I will speak about the date as soon as we are closer to the launch.

Kunal: This last question from my end I wanted to understand whether are we looking to augment our ANDA pipeline given that because when I look at the pipeline we do have high value assets like Revlimid this year and Ibrutinib after three to four years but do we have any more plans to add more medium-sized assets where which are more niche in nature so that we may have more continuity and less peaks and drops in our US revenue?

Rajeev Nannapaneni: I think yes as a portfolio we have a lot of niches we have a few other issues where we have left here, they are obviously not as large as Revlimid so we have a very good pipeline, we have got eight or ten handles so that we intend to file this here so I think we have a robust pipeline. In terms of the approval date and launch and all there are some things two or three years away, there are some things that are seven or eight years away depending on how the litigation goes. See you need to invest for the future that is the nature of this business, if you really want the big jackpot, you want your 2028 earnings to be very good or 2030 needs to be very good you need to invest today and you can balance it out and like you look at all the big products that we have filed the benefit of that and these are stuff that was filed about 10 years ago. The really good stuff you need to do eight to ten years ago and that is how the business works you need to mix it up a little bit so you need to take care of your future in seven to eight years and again balance it out to the near term, so you may try and do that in our pipeline but we like doing things which are more long-term than near-term I think because I believe that is where the real value.

Kunal: Got it Sir. All the best.

Moderator: Thank you. The next question is from the line of Jay Shah, an Individual Investor. Please go ahead.

Jay Shah: My question has already been asked so you can pass on to the next participant. Thank you.

Moderator: Thank you. The next question is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil: Thanks for the followup. Rajeev my question was for CTPR as we understand that the patent will go off in August 2022 would you say there is enough complexity on the product that even if it goes off-patent it would still be good enough for us as a revenue opportunity or would you say then it will not be very attractive for us just to understand?

Rajeev Nannapaneni: The thing with August 2022 is if the launch happens in August 2022 there will be more competitors so when there are most competitors obviously the value will not be as much, it will be more valuable if it happens in this financial year I think if you were to wait whether it happened it is better in this financial year as opposed to next financial year. To answer your question it is better if it is done this year as opposed to next year but again we just have

to go with what the judge says, we will wait for the court verdict and then we will see how the things fall in place.

Nikhil: Just one last question and this is in continuation with the previous question on the volatility and I understand like the efforts which we have put 10 years back have always yielded results first it was Copaxone and then now Revlimid but on the domestic side in last year a similar quarter when we had discussed are you looking at the secular pillars of growth which can sustain a 10%-15% growth, how are you looking at building those pillars or would you say over 5-10 years Natco will remain as a company which would more focus on one-time big opportunities, how should I understand over the next 5-10 years not near three to five years we understand there is a good near-term tailwind but beyond that how would Natco be built as a company?

Rajeev Nannapaneni: I think it is obvious to us as a company that we need to have more stability in our earnings. When we are a smaller company if we take these risks and when these things happen there is a disproportionate increase in our earnings, but now I think we have reached a more matured stage I think more stable portfolio is required I think absolutely right we do not have an established portfolio let us say larger peers of ours but the thing is you have to put yourself in my position, you cannot recreate that basket that they have in the branded generic space because these molecules have been around for last 20 to 30 years I cannot launch let us say for example Atorvastatin to do something dramatic on that because that shift has already passed so what I can actually do is only do newer products that is something that is in my control, so what you actually see the benefit of what we are trying to do it looks like we have been disruptive but see if you were to establish a very large brand for example a product like Apixaban for example this product is going to be around for many years and benefit of that you will see in the next seven to eight years because lot of these brands which were about 20 Crores, 30 Crores about a decade ago have become Rs.80 Crores-100 Crores because of general increase in the market and more acceptance and secular growth that has happened but I think the benefit of what we are doing you will see in the next seven to eight years which would bring about more stability but in the near term you will see a lot of volatility because we are trying to do something, we are trying to get into markets where through litigation and also that is where it brings about volatility but I think we will see more stability as time goes.

Nikhil: Thanks a lot.

Moderator: Thank you. The next question is from the line of Shivram Gupta from AsterMinds Enterprise Solutions Private Limited. Please go ahead.

Shivram Gupta: Sir I came back from the queue I have one more question in fact two how is our business in the emerging markets like Brazil and other countries that we are right now number one, number two we have been a replicator of complex molecules and all, are we making any efforts to develop our own molecule or drugs for any of these diseases that are prevalent in the world right now?

Rajeev Nannapaneni: We already spoke about that two minutes ago I think this business now is contributing about 13% to 15% in that region so we are doing well in this business and we are trying to scale this business up. We are primarily a generic company obviously so I think that is most of the Indian pharmaceutical market I think most of our revenue comes from generics in terms of your question specifically are we doing any work we are doing some work I think it is very early to say I do not have anything to report at this time but we are doing some work to answer your question yes we are doing some work.

Shivram Gupta: Great Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Sameer Shah from ValueQuest. Please go ahead.

Sameer Shah: Two questions one is on the agrochemical side we seem to be following a similar strategy of targeting blockbusters so what kind of ramp up or team size or you are looking at this as optionality to the business or you will also make this as a sustainable larger business how are you looking at this business?

Rajeev Nannapaneni: I think this is a reasonably large business and I think this product is a very large product and this product represents almost 15% of the whole agro business so it is a very important product and I think sometimes these things work sometimes they do not work that is a nature of the business we believe that we bring about 10% to 15% of our topline coming from agro it is a good diversification so I think just back to the earlier question the other gentlemen asked how do you get stable earnings because when you have a more diversified portfolio which is diversified in terms of therapies, segments and geographies so that is what gives you stability that is what stable earnings in my world that is what it means. I think these segments and these entries that we are trying to do in these markets are trying to bring about that stability.

Sameer Shah: In terms of segments like biologics or some others these acquisitions one you said is US front end where you can market your own molecules but anything else that appeals to you?

Rajeev Nannapaneni: As of now I think our focus is on US front end and focuses on diversifying our branded generics business I think these are the two capital allocations I would like to do in the event

of acquisition I think these are the two things we are looking at this time. In terms of biologics and all I am always tempted but again it is a large capital allocation and it is a long duration of return and we are doing a lot of stuff which is 8-10 year return kind of stuff, lot of the ANDAs, we are filing now launches in 2028 and 2030 so I think we are already fairly investing in stuff that payoffs for 18 years, if you add biologics to it then you are adding another one which will take about seven to ten years so if I see more cash next year maybe I will start making a capital allocation but at this time I am not making an application.

Sameer Shah: Got it Sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from DAM Capital Advisors Limited. Please go ahead.

Nitin Agarwal: For your India agrochemical strategy how critical is a favorable court decision in the launch in the Rabi season of this product does it meaningfully derails our strategy for this business or if you do not get a favorable verdict?

Rajeev Nannapaneni: Sir I just spoke about I think if we do not get a favorable verdict then obviously the launch will be in August 2022 so the launch is in August 2022 then obviously the upside that would have gone for launching this year because if you launch now that is where the real upside is, is not it, but you just have to wait so I think let us wait and let us see what happens.

Nitin Agarwal: Secondly in terms of your filings for the US anything that you are looking at for filing any large filings in your assessment due for this year that can possibly come through?

Rajeev Nannapaneni: I think so we are targeting at least two to three first to file so I think we will speak about it I think as the year goes, by March I think we are hoping to report at least by about two to three first of all and that is where we are and very interesting part.

Nitin Agarwal: Okay two to three first to file to March?

Rajeev Nannapaneni: For March hopefully I think if all goes well yes I think that is the target.

Nitin Agarwal: Thank you.

Moderator: Thank you. The next question is from the line of Jay Shah, an Individual Investor. Please go ahead.

Jay Shah: Just one question so what kind of a strategy do we have for the agro business for the next three years like are we looking to scale up organically or are we looking to acquire some company like what is it, also you are talking about some Pheromone product that we are planning to launch so when are we expecting that to be launched?

Rajeev Nannapaneni: We have a whole pipeline typically I do not reveal the pipeline. We announce once we make enough regulatory progress on this pipeline so we have interesting set of about 10 products I believe are very interesting and which could make a difference. In terms of Pheromone I think we launched one Pheromone so we are the first Pheromone for that particular product. We launched a product for cotton for a pink bollworm which is one of the best cotton so with that product has been launched for the season so we did a launch this year so that is driving some of the revenues for this quarter so we will see some benefit of that so we are getting one on the pheromone platforms and also our chemical platform as well so we have a portfolio of products.

Jay Shah: Just one question on this would the agro business be completely domestic or like what kind of sharing do we see between domestic and the international business?

Rajeev Nannapaneni: We are looking at both the opportunities but at the near term it is primarily driven by domestic.

Jay Shah: Alright thank you.

Moderator: Thank you. The next question is from the line of Viraj from Securities Investments. Please go ahead.

Viraj: I just had one question on Revlimid so we have a volume sharing agreement with the innovator and similarly other competitors also have a similar agreement what happens if in the period up to 2026 if any of the suppliers is facing a supply chain issue or faces a regulatory ban or an oversight so does the volume come to the first player who has filed the product or it goes to the innovator?

Rajeev Nannapaneni: I cannot answer that question.

Viraj: In our case how are we managing the supply chain or the regulatory risk in terms of any perspective how is we kind of?

Rajeev Nannapaneni: That is a very good question. What I have done Viraj is I have kept two plants so our primary plant is out of Hyderabad where we got the approval and we also have a backup plant in Vishakhapatnam so which is in SEZ Vishakhapatnam. We filed CBE- 30 there so

even that got approved so we actually have approved from two sites. Our primary site is Hyderabad and secondary site is Vishakhapatnam because it was a large product so we wanted to make sure that we have two facilities so I am happy to tell you that we have approval from both the sites.

Viraj: What are the challenges you see in terms of scaling this up and capitalizing on this?

Rajeev Nannapaneni: What challenge do we see in terms of capitalizing?

Viraj: The risk in terms of capitalizing it.

Rajeev Nannapaneni: I think I covered the first risk you asked me do I have a backup facility yes I have a backup facility and we have approvals from both the sites so which is very good to be a position to be in. In terms of the upside and all let the market formation happen so the simple rule in life it depends on how the competition comes, if there are many competitors then obviously you will see further erosion so we have just had to see it when the other guys come and then we can make a judgment of where we are so I think I do not have an answer to that question so I think only time will tell.

Viraj: Sure thank you.

Moderator: Thank you. The next question is from the line of Jay Shah, Individual Investor. Please go ahead.

Jay Shah: One question on Revlimid so we have an arrangement of revenue sharing about 30%:70% but does that arrangement stay even after the patent expires in 2026?

Rajeev Nannapaneni: Yes.

Jay Shah: So like is there any way that we can amend the agreement after because the profit remains very less?

Rajeev Nannapaneni: The arrangement is the way we have to find the agreement I think if you make a lot of money you will share a lot of money if you make less money share less money that is how it works.

Jay Shah: Absolutely thank you.

Moderator: Thank you very much. The next question is from the line of Rahul Veera from Abakkus Asset Manager LLP. Please go ahead.

Rahul Veera: Just one quick question on Revlimid in terms of the backward integration like securing the supply chain from KSM to APIs do you see any risk there in the system in terms of our volume that has been decided for us?

Rajeev Nannapaneni: In terms of supply chain in terms of the raw material supply you are saying?

Rahul Veera: Yes.

Rajeev Nannapaneni: We have secured the raw material supply I think we have already ordered the quantity that is required for the launch so I think we have secured everything and this is such a large product we bought enough API which will cover enough demand so we are set to go I think I do not foresee any challenges on the launch, we have ordered the API, we got the capsules, we got both the sites approved, we have covered every possible ways so I think we played this out in our head and we have done all the investments which are required to secure the launch.

Rahul Veera: Just a thought process like because of the COVID a lot of plants, API plants or even different facilities we saw some shutdown and as you mentioned out at the starting of the call that COVID is here to stay and suddenly incident happen that because of a supply chain from our raw material suppliers like the plant at the last moment or during our launch time is checked for two months and we are stuck.

Rajeev Nannapaneni: No I think we have been very cautious in this product I think we have ordered the API, we already have stock and as you can see we have approved two sites for this product so we have done everything that we should do to protect this upside.

Rahul Veera: Sure fair point Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Ashish Thavkar from Motilal Oswal Asset Management Co. Ltd. Please go ahead.

Ashish Thavkar: Thanks for the opportunity. Sir one question on this Coragen so earlier we used to guide for around 200 to 250 Crores in peak sales if we have got a favorable approval in time but supposing if the approval comes obviously during the expiry time would you still say that whatever we have guided we could still make 30%-40% of that number?

Rajeev Nannapaneni: You are asking something hard to judge what I can tell you is this okay I will be very straight with you if the launch happens now we will make more money if the launch happens later we make less money I think that is the best way you can answer that question.

Ashish Thavkar: In terms of quantum like less would be far lesser you are saying or you would still be satisfied at the end of the day?

Rajeev Nannapaneni: It will be nice if it happens sooner than later but end of the day we have to hope that these all subjects to the court case I think we have said that in our communication many times right what I can tell you is the opportunity I can tell you that you are challenging the patent but it is all subject to the court verdict and I think the court verdict is favorable yes of course we will have the upside but that is how it works if you get it right you get it right and if the court verdict is not in your favor then that is the nature of the business then you launch later but that is a risk that you take and sometimes they work sometimes they do not.

Ashish Thavkar: Fair enough. Sir next question on this arrangement with a partner for Revlimid so I was just curious to know why are the terms more favoring the partner and not us in terms of when it comes to profit and revenue sharing?

Rajeev Nannapaneni: I signed that agreement many years ago. I signed it when I was a much smaller company so I think at that time we needed coverage of cost and so on and so forth so I think that is the nature that we have signed it then and at that time in life you are not such a large company, will I sign an agreement today obviously no you have signed it then and you honor what you signed so that is how it works.

Ashish Thavkar: Would it fair to assume that Imbruvica the terms would be in our favour?

Rajeev Nannapaneni: Imbruvica is a higher profit share, it is 50:50 share plus cost of API which is captive then we actually get majority of the revenue in our favor but that was signed much later so obviously and we invested a little more on that. It is a function of how much of the money you are putting on the table right, if you put less expense on the table then obviously the other partner will ask for a higher share but if you put more money on the table then obviously you can ask for a higher share it is all directly linked with what you are willing to risk.

Ashish Thavkar: This is helpful. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Alisha Mahavla from Envision Capital Services Pvt. Ltd. Please go ahead.

Alisha Mahavla: Thank you for taking my question. Sir my first question is with respect to in the domestic business what is the strategy to grow our cardio and diabetes portfolio because we have been quite positive on it so what is the strategy to really grow it?

Rajeev Nannapaneni: I think we spoke about that a few minutes ago I think we have these three segments that we are active in gastro, onco and cardio-diabeto and I think we have a good pivot on the COVID portfolio and I think I alluded to the products that we launched in the COVID portfolio and last quarter we did reasonably well so I think we are there in all the major growth portfolios at this time so we have a very good pipeline I think we spoke about Molnupiravir as well so that is going to be a big product as well so that is it I think we are looking good but it really make it a very large business and we also need to obviously probably do an acquisition because we still have very limited coverage for example before we launched new division that I spoke about we only have 300 reps for whatever business that we do so if you look at yield per man I think ours is probably one of the best in the industry, but again I do not cover a large set of doctors, when we talk about our other peers they all have 5000-10000 reps we only have a fraction of that so I think to achieve that you need to cover more people and have a larger portfolio so either you get that through more launches or you get that through an acquisition.

Alisha Mahavla: With respect to the agrochemical portfolio so while we are expecting Rabi launch for CTPR and we do last call you did mention that there is a pink bollworm product that you have launched what is our agrochemical pipeline looking like what are the number of launchers we are looking at doing say next year if you want to be in time for the Kharif season for this business to grow substantially over the next couple of years?

Rajeev Nannapaneni: We have a pipeline I think the big one obviously, the pink bollworm we already launched okay so that is already there in the market so we just did a launch this year I think hopefully it is new concept we are selling it is the first time in India so we will see the benefit of that in the next couple of years. Regarding Chlorantraniliprole it is subject to the court verdict so we will see how that goes. In addition to that we also have other products but they will start ticking in around 20 to 23 so we have a pipeline. As I said we do not usually review our pipeline I think once we are closer to a marketing approval then we speak about that but to answer your question we have a good pipeline yes.

Alisha Mahavla: Okay thank you Sir.

Moderator: Thank you very much. The next question is from the line of Vishal Manchanda from Nirmal Bang Institutional Equities. Please go ahead.

Vishal Manchanda: Thanks for the opportunity. On agrochemical could you share what is the burn that you are taking in the numbers currently what is the cash burn?

Rajeev Nannapaneni: I would say about Rs.15 Crores to Rs.20 Crores a year.

Vishal Manchanda: You said Rs.50 Crores?

Rajeev Nannapaneni: Rs.15 Crores to Rs.20 Crores operationally plus depreciation of the asset I do not recollect what the depreciation on that asset is but it is Rs.150 Crores to Rs.200 Crores capex and depreciation of that plus the cash burn of about 15 to 20 Crores reflected in the balance sheet.

Vishal Manchanda: On the Pheromone product are there entry barriers which would restrict the competition in the product going forward and something on how fast this can scale up what is your expectation of the scale up of this product?

Rajeev Nannapaneni: We are working with our partner for this and the technologies from them, does it scale up or not so Pink Bollworm has been a reasonable launch but the problem with the Pheromone platform is the adaptation it is not like a generic when you already have a very large market and then you are cutting price and you are entering and the market is already well developed so you just have to do a discount and you start paying market share. Pheromone is the exact opposite so what it is essentially what you are trying to do is you are trying to build a concept and sell the farmer the concept of using the product so that takes about two to three years so I think to say that there will be a dramatic increase of revenue probably not I think it will probably take a couple of years before you actually see the benefits. At this stage I think we are just trying to get the adaptation going so people have to adopt so it takes time but you will see the benefit of that over a period of time.

Moderator: Thank you very much. The next question is from the line of Kunal from Vallum India. Please go ahead.

Kunal: I have a single question I wanted to understand commercially how hard would it be for any player considering after the last set of agreements you would have probably eight to nine players in development would come into the market gradually so how hard would it be for any player to build share the reason why I am asking is that if it is hard I am not talking about building share commercially so in terms of the commercial challenges of getting a market share because if the rationale which I am thinking about is that if it is hard for someone to commercially build share then it will have a higher incentive for them to probably reduce the price at the time that would be valuable to all the players involved because we saw the same case happening in the case of Copaxone where Mylan founded very hard to gain share because xyz reason and the price had to come down quite a lot for Mylan to gain a reasonable share so effectively Copaxone ended up making half the profits of what it could have made with the pricing if it would have not been eroded so just applying the same scenario to Revlimid how do you think about that?

Rajeev Nannapaneni: I think we cannot really predict the future what I can say is that we have the first more advantage I think that is worth something and so we are the first generic so that makes a lot of difference in our business and typically on these Rem type of products we are the first generic and once the registry is and you start registry and you are the first generic that is getting spent I think generally you tend to do reasonably well and you get to keep market share and the price and all you are selling generics my friend price has to go down that is the nature of the business so I think initially when you are in the first step obviously you make more money but as more competitors come in prices do fall but at the nature of it and I think you cannot really stop that by any time so you just have to come up with more interesting things and offset what you are losing I think that is the nature of the business.

Kunal: If the price declines much, much faster than anybody would expect in a scenario like this that could also be profit?

Rajeev Nannapaneni: Obviously I think but the thing is until the market formation happens until we see how the other generics play out it is very difficult to judge so only time will answer that question. Why cannot what I can only tell you is that we will be the first generic from what I understand based on what is there in the public domain I think we should do well and we are hoping that we should do well in this product.

Moderator: Thank you very much. Ladies and gentlemen that will be the last question I will now hand the conference over to the management for closing comments.

Rajeev Nannapaneni: Thank you so much. Thanks for attending the call and very nice interacting with everyone.

Moderator: Thank you. On behalf of Investec Capital Services Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.