



Natco Pharma Limited

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Dear Sir

Sub:- Transcript of earnings conference call held on August 13, 2024
Ref:- Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements),
Regulations, 2015

We are herewith enclosing copy of the transcript of the Company's earnings conference call for Q1 FY25 held on August 13, 2024. The transcript is also available in the website of the company i.e., www.natcopharma.co.in.

Thanking you

Yours faithfully

For NATCO Pharma Limited

Ch. Venkat Ramesh
Company Secretary &
Compliance Officer



“Natco Pharma Limited
Q1 FY'25 Post Result Earnings Conference Call”
August 13, 2024



MANAGEMENT: **MR. RAJEEV NANNAPANENI – DIRECTOR AND CHIEF EXECUTIVE OFFICER – NATCO PHARMA LIMITED**
MR. RAJESH CHEBIYAM – EXECUTIVE VICE PRESIDENT - CROP HEALTH SCIENCES – NATCO PHARMA LIMITED

MODERATOR: **MR. HRISHIKESH PATOLE - B&K SECURITIES PRIVATE LIMITED**



Moderator: Ladies and gentlemen, good day, and welcome to the Natco Pharma Limited Q1 FY '25 Post Results Earnings Conference Call hosted by Batlivala & Karani Securities India 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Hrishikesh Patole from Batlivala & Karani Securities India Private Limited. Thank you, and over to you, sir.

Hrishikesh Patole: Thank you. Good morning, everyone. On behalf of B&K Securities, I welcome you all to the Q1 FY '25 Earnings Conference Call of Natco Pharma. Hope everyone is in good health and doing well. On behalf of Natco today, we have with us Mr. Rajeev Nannapaneni, Director and CEO; Mr. Rajesh Chebiyam, Executive Vice President, Crop Health Sciences.

I now hand over the call to Rajesh for the management's opening remarks, post which we'll open the session for Q&A. Over to you, Rajesh.

Rajesh Chebiyam: Thank you, Rishi. Good morning, everyone, and welcome to Natco's conference, discussing our earnings results for Q1 of FY'25, which ended June 30, 2024. During the call, we may be making forward-looking statements or statements about future events. Anything said on this call which reflects our outlook for future must be reviewed in conjunction with the risks that the company faces. Like to state, material of the call except for participant questions is the property of Natco, cannot be recorded or rebroadcast without Natco's express written permission.

So, I'll begin with the results highlight and then we'll have an open interactive Q&A session. So again, hope everybody received the financials and the press release that was sent out earlier as well. It's also available on our website.

Natco recorded consolidated total revenue of INR1,410.7 crores for the first quarter which ended the 30th June 2024, as against INR1,160.2 crores for the same period last year, reflecting a growth of 21.6% in revenue. The net profit for the period on a consolidated basis was INR668.5 crores as against INR420.3 crores same period last year, reflecting 59% growth in profits. The growth in revenue and profits were primarily driven by export formulation business as our domestic pharma business remains stable.

On the overall segmental split, formulation exports including profit share and foreign subs carried INR1,210.10 crores, formulation domestics INR102.2 crores, API INR39.2 crores, crop health INR15.6 crores, other operating and non-operating income clocked roughly INR43.6 crores. All totalling to INR1,410.7 crores. Thank you all.

Now we'll open up for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nirali Shah from Ashika stockbroking. Please go ahead.



- Nirali Shah:** Hi, good morning. Congratulations on the good set of numbers. I had just two questions. First on the Revlimid front. So, it appears that the contribution from Revlimid is a significant driving factor. Any insight on the market share would be valuable here. And additionally, just a follow-up question on Revlimid, that after January 2026 we have a profit-sharing agreement with Teva, which is what the management mentioned in the last con call as well. Could you provide any estimate of the potential variance in profitability numbers for Revlimid? When we put into perspective a comparison of FY'25 to the post patent expiry scenario.
- Rajeev Nannapaneni:** It's very difficult to judge. I mean, how the market will form over a period. In terms of market share and all, it's already publicly stated. We start off with a single digit and we go up to one third of the market before January '26. So, I think that answers your share question.
- Regarding the price environment and all, it's hard to judge. I mean, market dynamics change. So, for now it's doing well, and we see that it will do well, in the coming quarter also I think it looks good. Beyond that I can't comment further. Thank you.
- Nirali Shah:** This being the third year, we are expecting a significant ramp up in the Revlimid, right?
- Rajeev Nannapaneni:** Could you say that again?
- Nirali Shah:** This being the third year, we are expecting a significant ramp up in Revlimid contribution?
- Rajeev Nannapaneni:** Yes. The last year we are expecting to go to one third of the market, based on the agreement that we have. But again, how much we will do and how well we'll do and all, it's all a function of the market at that time.
- Nirali Shah:** My second question is that we do hold certain FDF status on certain strength of Semaglutide pen, and even for the weight loss indication we have the sole FDF across all strengths. Just wanted to understand the potential opportunity here, again specifically on the market share or maybe some internal targets that we have, what kind of market positioning and any financial impact that we are projecting from these -- the two of these FTFs?
- Rajeev Nannapaneni:** I mean, we are in a good position in Semaglutide. It's too early to say anything. I think the pilot is still under review. Mylan is obviously our partner here, it's tough to predict when the market formation will happen with the patent litigation pending. So, currently it's very early, to say anything about what the potential is. I think it's a good filing and we're working towards getting the approval, that's all I can say at this time.
- Nirali Shah:** Okay. Okay. Thank you.
- Rajeev Nannapaneni:** Thank you.
- Moderator:** Thank you very much. The next question is from the line of Kunal Randeria from Axis Capital. Please go ahead.
- Kunal Randeria:** Hi, good morning. Just Rajeev, if you can shed some more light on how the ex Revlimid business has been performing?



Rajeev Nannapaneni: I think the domestic has been stable, we're doing about INR100 crores per quarter. I think that's been fairly stable. If you remove the one-off, on an overall base business wise, remember the one-off is growing around 8% to 10%. So, we are fairly happy with how things are in domestic.

Our agro business has not done well, we had first year full launch, you know, launch last year and we built about INR50 crores gross, but it's just that we had some returns. So, we prudently made the provisions for discounts and returns. That's the reason why our net sale is only INR15 crores. But I mean it's a new business for us. This is our second full year of operation. So, you know, we will take some time to settle down. But overall, the prospects look good and the season has just started. So, we think that we should do well in the coming quarter.

Our export business has done extremely well. Canada has the highest turnover ever and then if you can give me a moment, I'll just pull up the numbers. So, the subs, which represent a significant part of our RoW business is doing -- last quarter did about INR180 crores and fairly profitable. So, we had a PBT of INR43 crores. That business has done well.

So overall I think we are happy. We are building a reasonable business in RoW in Middle East as well. We are doing reasonable amount of diversification. So, I think we could do better in agro and we're looking for better momentum in domestic, but otherwise the export business has been very stable for us, Revlimid and non Revlimid, both.

Kunal Randeria: So Rajeev, just to clarify, even non Revlimid, there's been a growth in revenue as well as margins, right?

Rajeev Nannapaneni: Correct.

Kunal Randeria: Got it. And second, just a clarification on Semaglutide. Do we have sole FTF or these shared ones?

Rajeev Nannapaneni: The weight loss one, we are sole FTF. And on the diabetes, some strengths we are sole FTF and some strengths we have shared FTF. The strengths and all, I can't recollect on top of my head, but Yes, I think some strengths we have. I would say 50% to 60% the market value for the diabetes indication we have sole FTF, some strengths we don't have sole FTF.

Kunal Randeria: Right. And at this point in time, you know, I know it's a bit early, but could you, I mean, would the launch be in this decade or would it be around 2030-'31?

Rajeev Nannapaneni: I can't answer that, Kunal. I wish I knew. So, there are a lot of moving parts. We had to get the approval, we have resolution of the court case and there's so many moving parts.

Kunal Randeria: Understood. But would this be more like a 50-50 kind of profit share agreement?

Rajeev Nannapaneni: No, I think it's little bit higher with Mylan, I don't recollect the agreement exactly with Mylan, and we have some sharing with our contract manufacturer who is Stelis. I don't remember the economics exactly, but I think we'll have substantial. But there's a share between Mylan and us and then what we are getting, some we have to share with Stelis.



- Kunal Randeria:** Okay. So you would be getting a bit more than Mylan, right?
- Rajeev Nannapaneni:** No, Mylan will be getting the most. I can't recollect. There's a lot of, nuances in the agreement, so I don't want to get into it because such early days, we'll give more clarity and guidance when we're closer to market formation. But yes, I think broadly those are the terms.
- Kunal Randeria:** Okay, That's great. Thank you and all the best.
- Moderator:** Thank you very much. The next question is from the line of Arun Malhotra from Cap Group. Please go ahead.
- Arun Malhotra:** Yes, good morning. Just wanted to check, I know you mentioned on the pricing. To give a sense of the pricing of Revlimid in the U.S., how is it feeling right now? That's one. And second, you said one third of the market share. What would be a tentative market share right now for us in the Revlimid in the U.S. market?
- Rajeev Nannapaneni:** I can't answer that question for competitive reasons. I think what we have disclosed, I'll repeat that same thing. I think if it scales up, it goes to one third. Pricing and all, it's all handled by Teva. Teva is our front-end partner and again, it'll be -- for competitive reasons because in the end the strategy is there. So, I can't answer that question.
- Arun Malhotra:** Okay. And any sense on the competitive landscape right now, how many players are there?
- Rajeev Nannapaneni:** There are multiple players. Everybody has their own market share. I think that's all I can say at this time.
- Arun Malhotra:** And lastly, on the Agrochem business, that is still not ramped up as per our expectations, what would be our sense here?
- Rajeev Nannapaneni:** It could have done much better clearly. I would say that we had a reasonable start. I will not say that we're not present in that segment. We have launched with a very aggressive strategy by going after patents and we've been in the first wave launches. I think last year we had about INR105 crores of sales. So, I mean, we're building a brand-new business with farmer reach and building a brand, running TV ads and doing a lot of campaigns. So, it is a reasonable start. I mean, for an upstart, which I had no experience in agro. But I would believe, if you want to build sustainable long-term businesses, you need to wait. I mean, things don't happen overnight.
- I think my personal view is we have to give it about two years. So, if you give it about two, three years from now, I think you'll probably have a INR250 crores, INR300 crores nice, branded business with a stable income. So, to reach that stage organically it takes time, I mean you just have to be patient.
- Arun Malhotra:** Sure. Thank you.
- Moderator:** Thank you. The next question is from the line of Saumil Shah from Paras Investments. Please go ahead.



Saumil Shah: Hi, sir. Congrats on a very good set of numbers. Sir, this quarter with about INR660 crores of profits, so now can we assume INR400 crores, INR450 crores of quarterly run rate for the remaining quarters of the year?

Rajeev Nannapaneni: Quarterly guidance we're not giving, I can't give you such precise numbers. I can say Q2 should also do very well. I think like Q1 it should do well. Overall, for the year we're giving guidance of a 20% growth over last year's number. So last year I think our profit was little less than INR1,400 crores. So, on that, they're saying we'll grow at least 20%.

Saumil Shah: Okay. And so wanted to know about the FDA outcome of the warning letter which we have received for our Kothur plant. I think it was in the month of April. So any update on the same?

Rajeev Nannapaneni: As of now we don't have any update. We continue to supply from that plant into the U.S. market. So, it did not stop any of the supplies. In terms of the filings, the impact has been that we are not getting any new approvals from that site. We have taken a risk mitigation program and we have started moving things out of that plant, which are critical. We have a plan to move everything out.

Some we already moved out. I mean, some of the products we already moved to Vizag, and some we already got approvals after moving them and some we are in the process of moving out. So, in the next few months, while we continue with the remediation work, parallelly we are moving out all the critical filings. I think that's how we're going forward.

Saumil Shah: Okay. But normally, how many days it takes for the FDA's reply? Because I think in one of the calls, if I'm not wrong, you mentioned around 90 to 120 days they tend to reply?

Rajeev Nannapaneni: No, it takes time. I can't really answer that question. I mean, typically 90 days. I mean, when you receive the observations, giving the answer, so those sorts of things, when a reinspection will happen and all it's very tough to judge. I think we are doing our remediation program. Once we have an update we'll share it with you. At this time, it will be premature to comment on that.

Saumil Shah: Okay. So even if there is an adverse impact, I mean we have the other plant from where we are supplying, right?

Rajeev Nannapaneni: So, what we've done is two things. One is we have the other plant in Vizag and over and above that we have also, like especially injectable portfolio, we have gone to a CMO. So, we have two, three ANDAs we moved out and a couple of oral products also we have moved out, and we refiled from the other site with updated data.

So, we are very actively moving things. Some internally we are moving out and some we are externally moving out. So, both are parallel. So, we are not linking one with the other. While we work on remediation, parallelly the critical filings where we think where 80% of our future earnings are going to lie, I think those we are moving out.

Saumil Shah: Okay. So, but the current Revlimid sales are from both the sites?



Rajeev Nannapaneni: Initially, I think some strengths were from Kothur and some strengths were from Vizag. So post, we have moved everything to Vizag and we got it approved. We had two strengths which were non-approved from Hyderabad. So those we have moved it to Vizag. So that's already approved and we're already supplying from Vizag.

Saumil Shah: Okay. Thank you. That's it. From my side.

Rajeev Nannapaneni: Okay.

Moderator: Thank you. The next question is from the line of Ankit Minocha from Adezi Ventures. Please go ahead.

Ankit Minocha: Yes, hi. Good morning, and congratulations on the great momentum in terms of the numbers. So the question was, I mean in terms of the guidance, we've already done, say INR660 crores of PAT this quarter. Do we feel and are we being too greedy? But do we feel that because the rest of the year then kind of looks pretty much at par with last year, so do we feel that this guidance could be slightly conservative, and we would wish to overachieve?

Rajeev Nannapaneni: Sure. I mean, anything can happen. Generally, I like to say conservative numbers, I don't want to give aggressive guidance's. We can do better. I mean, at least I can tell you, like on, if you ask me for Q2, I think I can have a sense that the numbers will hold up.

So again, market formation is so tricky to tell, right? and how will you end up it's very difficult to judge. So, I mean, you're saying can we do better than that? Hopefully yes. I think that's my expectation.

But again, I prefer to remain conservative. If you put me in a spot and ask me what it's going to be, I'll say the conservative number. but again, you know, there's so many moving parts, so it's hard to judge. But, yes, for now I'll answer for Q2. I think Q2 should do well and then we'll take it from there.

Ankit Minocha: Right. Yes, thank you. That's appreciated. And the previous participant asked about Kothur, but just from a more -- from a slightly higher perspective, is there any risks then, considering that you've mentioned that Revlimid is now largely move to Vizag. Then in that case, in case of anything adverse, which hopefully does not happen, but in case of any adverse regulations on Kothur, then do we have any severe risks then baked into the numbers?

Rajeev Nannapaneni: Whatever has happened has already happened. We can't get worse than we already can. So, it's already all built in. So, the risk itself is the fact that we should move the things out and get them approved on time so that we don't lose the business opportunity. I think that's what I was trying to say. The risk, if anything is, I would say our execution of moving things out and getting it done.

I think that's all it, especially the first two files, we have to move them out and get the batches done quickly. It could be the only risk that will affect the future if we're not able to execute that. That's the only variable that I am worried about. So whatever worse could have happened, it's



already happened and that's the only concern I have at this time. I think just to make sure that all the good filings we have, we should move it out.

Ankit Minocha: Thank you and appreciate the clarity and the conservative guidance as always.

Moderator: Thank you very much. The next question is from the line of Abdulkader Puranwala from ICICI Securities. Please go ahead, sir.

Abdulkader Puranwala: Yes, hi. Good morning. Thank you for the opportunity. So on the sub part, you just disclosed about the revenues. So in the next two, three years, you know, how should we look at the contribution coming from your Brazil and Canada subsidiary? Any ballpark growth indication if you could provide?

Rajeev Nannapaneni: I think they're doing well, and we have good filings from these subsidiaries. So hopefully they'll continue to grow. See, this business, is essentially the filings that you have. That's what drives your earnings.

The good filings you have, you get great earnings and see, it's a very product specific strategy. I think the more interesting filings you have, the better they do. They're all function of what the market formation is going to be. All we can tell you is that we are doing multiple filings in multiple geographies, and we believe that the growth will happen.

As of now, as I said, it did 179. It's probably, we had one tender order in Canada, that's why it had a higher sale. But if you normalize it, it's probably INR140 crores, INR150 crores a quarter. But see, I think our idea is to build more pipeline in this and hopefully acquire a business which is outside these four geographies that we are actively present, which is Brazil, Canada, U.S. and India, and hopefully build a more diversified business so that there is less volatility in our earnings.

Abdulkader Puranwala: Understood.

Moderator: Thank you very much. The next question is from the line of Nitin Jain from Fairview Investors. Please go ahead.

Nitin Jain: Yes, thank you for the opportunity. So my question is more related to the payout. So year-on-year there is a decrease. So is this like keeping in mind, you know, we want to conserve cash for acquisitions or something along those lines? If you can elaborate.

Rajeev Nannapaneni: You mean, pay out in terms of dividend you are saying?

Nitin Jain: Yes.

Rajeev Nannapaneni: I think, yes. See, last year -- I'm not able to recollect exactly, but I think INR9 to INR9.5 we paid as a dividend last year. So, this quarter we paid out INR3. I think we will pay out reasonably well. But if you want me to say, will I give out a larger dividend? I don't want to give out a larger dividend. No. I think I want to keep the capital for a possible acquisition. I think that's my thinking. We'll pay out reasonable amount of dividend. But again, I don't want to pay very high



dividend because I want to keep the money for any possible acquisition if anything would ever to happen.

Nitin Jain: Right, that clarifies. Thank you.

Rajeev Nannapaneni: Okay. Thank you so much.

Moderator: Thank you very much. The next question is from the line of Yash Dantewadia from Dante Equity Capital. Please go ahead.

Yash Dantewadia: Hello. Can I just understand if you're sharing the Revlimid sales for this quarter, like what percentage your sales were? Are you sharing that number?

Rajeev Nannapaneni: We are not doing that. No, we're not.

Yash Dantewadia: Right. And can you -- what is the cash that you have in your books right now post this quarter.

Rajeev Nannapaneni: Without the receivable of Q1 right now we have about INR2,000 crores of cash in our books.

Yash Dantewadia: Yes. So, what's the plan with the cash? I mean, how are you planning to use the cash? Acquisitions, are you looking at something actively? Is there something in the pipeline? I mean, where is the next -- what I'm trying to understand basically is where is the next leg of growth going to come from according to you? Let's look beyond FY'26, right? Beyond FY'26, where do you see the next leg of growth coming? Once your exclusivity ends with Revlimid, where is the next leg going to come according to you? What would be your best guess?

Rajeev Nannapaneni: Good question. I think see, the way I look at this business, right, I mean you need to do interesting filings, okay? So, if you leave out, if you look at the next 10 years of our future, I mean, I don't take a one year, two years, we are taking a 10-year future now.

Yash Dantewadia: Right.

Rajeev Nannapaneni: If you leave out-- so we have Revlimid now, we have Revlimid in the next year. And obviously it's going to, you know, as all products, it all tapers off. So, first question to ask is, what is it that we have, which is, interestingly large? I mean, you'll have the smaller ones, 5 million, 10 million, 15 million, but that's one more than you do. So, the first question I ask myself is what do we have which is worth more than 50 million or 100 million of net present value?

So, to answer that question, I mean, obviously Semaglutide is my number one pick. Then we have subject to the litigation, of course, and the approval on time. And then second one is obviously Olaparib, which is already disclosed in the investor presentation. And then another one that we have is Erdafitinib. Again, the product is only 100 million, but we hope that it will become a bigger product over a period of time. And then we have Imbruvica, I mean, we lost the case, but we are trying to see what else we can do to revive it.

So, if you look at the next 10 years, I would say comfortably that we have ideas for about five to six years. So, the question is how do I fill the rest of the three, four years? I think this year,



like for example, before -- we have done about three filings in this year, and all are FTFs. So is it going to be shared FTF or sole FTF, I don't know. I don't have an answer to that question. So, in the next few months you'll probably hear from us on maybe, hopefully we'll pull off another one or two sole FTFs.

So, in the next two years if you pull off another three or four FTF or interesting ideas, then you have about 10 ideas for the next, let's say eight years. And even if we get half those ideas right, I think you'll do well. The elephant in the room, if it drops two years later, the earnings will drop? Possibly, yes. I will not run away from it. It will. But you can't look at a particular year or two in isolation. You ought to take an eight to 10-year view on this business and if you take a 10-year view and say that for most of the time I'll have these very interesting products, I think I'll be a happy person. Hopefully as shareholders you'll also be happy.

You can't I mean, be obsessed too much about, you know, one bad year. I mean, if you start doing that, then, you know, it takes you away from the larger picture.

Yash Dantewadia: Right. So basically, in FY26 you end up with maybe INR3,000 crores, INR4, 000 crores cash, right, by the end of this financial year.

Rajeev Nannapaneni: Will I end up with INR3,000 crores cash by end of this financial year? Possibly, yes.

Moderator: Right. Next question is from the line of Sanjay Kular from Acme Private Limited. Please go ahead.

Sanjay Kular: Yes. Congratulations for giving good results, Sir, you are an entrepreneur. As an entrepreneur, we always see that our wealth should be best measured in terms of market cap. You know, companies like your size which earns nearly INR2,000 crores are quoting around INR80,000 crores to INR1 lakh crores market cap. So what do you think other reasons why we enjoy little less market cap? And what are the measures should be taken to increase the market here?

Rajeev Nannapaneni: I wish I knew the answer to that question. Honestly, I don't have an answer to that question. All I can do is tell you what we're doing in our business, and I can tell you how we see the business and what I see in the future. I think we've been forthright. I tell it the way it is and that's all I can tell you.

Beyond that, I can't answer that question. All I can say is that I am very comfortable with the strategy that we do, and I think we make very good return on capital. If you look at our profitability and our strength of our balance sheet, it is very strong, so.

Sanjay Kular: Sorry, sir, that is the reason I think we should enjoy at least 45 multiple, but we are enjoying just 10, 12. You know, previously mentioned...

Rajeev Nannapaneni: I wish I could answer that question. I have no idea how to answer that question.

Sanjay Kular: Okay.

Rajeev Nannapaneni: Thank you.



Moderator: Thank you very much. The next question is from the line of Sanjay Satapathy, Ampersand Capital. Please go ahead.

Sanjay Satapathy: Thanks a lot for the opportunity and congratulations once again for a fantastic result. So you have tried to answer this question about cash and its utilization in many which way. Can I just ask that if at all that will be the acquisition, will it be more to diversify your revenue stream so that you have lesser volatility or it will be more towards increasing your capability in R&D side?

Rajeev Nannapaneni: I think a lot of the money that we're spending right now is only on R&D. If you look at our numbers, these are all post expensing of all the ideas that we are pursuing. We're pursuing very interesting ideas which are worth millions of dollars and I think we have been consistently able to deliver this pipeline. I think you look at these things in two buckets. One is the R&D ideas, we continue to deliver, we continue to spend and whatever earning is after expensing all these R&D ideas.

The second portion is consistency of earnings and getting geographical spread. I think that's the piece that we need the cash for. That's where I'm preserving the cash for, so that we get less volatility and more geographical spread so there's more consistency in our earnings

But the R&D ideas, I mean we continue to spend, and we believe in the next two years we'll be able to accumulate enough ideas which will give you our vision and our clarity of, in terms of the pipeline in the next eight to 10 years and that's what we're working on.

Sanjay Satapathy: My question is that, considering that your R&D unit is already delivering so nicely in terms of products and approvals, will you kind of use this big money to get into more of a capital intensive business like this PLI-driven API or something? I'm just trying to kind of understand your thought process as to where the -- where the acquisition or investment will go into.

Rajeev Nannapaneni: I don't like these commodities type of businesses. It's not our business model. Our focus is always doing niche and high value and do difficult to do generics, rare disease products. I think that's the strategy and we get some PLI for that, but it's not like the antibiotic PLI or any of those more mass volume. I think PLI's scheme is different because they want to ensure security and localization of these commonly used products. So, which is not part of our core strategy. So, to answer your question, the answer is no.

I would do an acquisition so that we can strengthen our geographical spread so that we can take our portfolio elsewhere. I think we have gaps. I mean, we're not present in Europe, we're not present in Africa, we're not present so strongly in Southeast Asia. We're not present in Australia. We're not present -- there's so many parts of the world we're not present. So those are the markets you could possibly do. So, fill the gaps. Yes.

Sanjay Satapathy: Understood. Thanks a lot, sir.

Moderator: Thank you so much. The next question is from the line of Nikhil Upadhyay from SiMPL. Please go ahead.



- Nikhil Upadhyay:** Yes, hi, good morning. Just two clarifications, Rajesh, you mentioned -- so if you look at our subsidiaries, they've scaled up well. And as you said, we are trying to broadcast it. So if I'm just trying to understand, the current revenue profile both for Brazil and Canada would be across how many products?
- Rajeev Nannapaneni:** Multiple products. I mean, is it like 10 or more.
- Rajesh Chebiyam:** Canada has a pipeline of more than, you know, 40 products today.
- Nikhil Upadhyay:** Revenue concentration for few products? Is there a risk?
- Rajeev Nannapaneni:** We generally we don't reveal the strategy of which product makes how much money. So, I think that.
- Nikhil Upadhyay:** No, I'm not asking for which product. I'm just saying, is there a concentration risk on few products?
- Rajeev Nannapaneni:** Always in any business, there'll always be those three, four products will give you 80% of your profit. So, 60%, 70% profit depending on which market you're talking about, but the idea here is that you spread over multiple geographies and have multiple products so that the volatility in one or two products doesn't cause too much concentration challenges.
- Nikhil Upadhyay:** Okay. And second question. See, Revlimid was equally good in Canada. For Semaglutide, is it a similar thing? Like, does it provide good opportunity in markets, ex of U.S. also?
- Rajeev Nannapaneni:** Semaglutide is with Mylan. So, they are doing the strategy for the ex-U.S. businesses.
- Nikhil Upadhyay:** Okay.
- Rajeev Nannapaneni:** The major regulated market businesses are all handled by Mylan. I think that's the way the agreement is structured and RoW business, we have some rights, but the regulated market business is mostly with Mylan, the cost rate.
- Nikhil Upadhyay:** Okay, fine, thanks. Sure.
- Rajesh Chebiyam:** Nikhil, I just want to clarify one point since it's Canada related, so my 40 number is the number of dossiers filed, right? Today, sales activities are more than 20 products in Canada, just to give you a sense and there's some consultation profile is always there for different countries as Mr. Rajeev mentioned.
- Nikhil Upadhyay:** Sure. Thanks.
- Moderator:** Thank you very much. The next question is from the line of Gagan Thareja from ASK Investment Managers. Please go ahead, sir.
- Gagan Thareja:** Yes. Good morning. Am I audible?
- Rajeev Nannapaneni:** Yes, go ahead. Go ahead.



Gagan Thareja: So, two questions, sir. One on Semaglutide, I mean given the current situation where there are shortages, compound pharmacies were allowed to supply. And if you look at the pricing of compound pharmacies, it's around one tenth of the pricing that innovators give. Do you think this is a reasonable -- this reasonably represents what could happen later on when the market goes generic?

Rajeev Nannapaneni: I'm not a big fan of this compounding pharmacy business., I mean I don't understand enough about it, but I don't know enough about it either. So, you'll have some exceptions here and there, but the real value is when you do it as an ANDA.

Gagan Thareja: Okay. So second one, you indicated that, you know, once Revlimid patents expire, there could be a transition period where, you know, there'll be some stagnation in earnings. Just trying to understand, is the base case scenario one of stagnating earnings for a short period of time? Or could we perhaps also look at base case scenario as one where earnings drop, there's a drop in earnings and perhaps it sort of stays down for a certain amount of time before you then recover?

Rajeev Nannapaneni: I mean, obviously, see I can't tell you what the future holds. It's very hard to predict your earnings in a particular year. I think one thing is very clear, I can answer that we are doing well now, and I think we see that the next one and half year we should do well.

Obviously, when your profitable product drops there will be a slight dip. But again, the trick here is that you are able to find something else that replaces it. So, what we can do is we can tell you, like these are the ideas that we have which will replace, you know, and these are the pipeline for the future. So, you're going to have some dips, but overall as I said, you need to take an eight to 10-year view on your business.

Gagan Thareja: So which would be the critical ones for you to compensate for, you know, from a time perspective and from a magnitude perspective to compensate for Revlimid?

Rajeev Nannapaneni: I think we spoke about that. I touched on the product, and I also mentioned that, you know, there are other filings that we're doing in this financial year. Hopefully that they will also come in.

So, the trick here is we have about 10 or 12 ideas. I think I have mentioned about four or five ideas. Hopefully in the next one and a half year I'll accumulate another five, six ideas. So, we'll have about ten ideas for the next ten years and hopefully we'll pull up about six or seven of these ideas, and then you'll have something.

Gagan Thareja: And on the India business, what are your thoughts, sir? I mean, in terms of sustainable growth rate with your current portfolio

Rajeev Nannapaneni: I think we're doing well. I wish we could do better, obviously. But, you know, we have some good launches. I mean, obviously the biggest one is being Semaglutide. We think March 26 is the patent expiry in India. So, I think hopefully the regulatory approval comes on time. So, we'll be in the first wave of launches. So that is probably going to be a very interesting product for us in the domestic space.



Since we have a low base in our business Semaglutide can actually jump up the numbers quite a bit. So that's probably a major disruption we're expecting in the domestic business in about the next one and half year i.e. March 26.

So, we have ideas. It's not that you just have to just continue with your R&D focus and do these very smart products, and you'll get a breakthrough someday. I think it's all about just keeping the pipeline hot and then pursuing things.

Gagan Thareja: And will you be -- will you need to add sales force for Sema, or your existing?

Rajeev Nannapaneni: So, we actually have a diabetes setup. We have a diabetes and a cardio setup. So, I think we have a division, we have enough coverage. We have already built that ground reps and all. So, it's only a question of launch.

Gagan Thareja: Thanks for taking the questions.

Rajeev Nannapaneni: Thank you.

Moderator: Thank you very much. The next question is from the line of Rajiv Jain from RKCAP. Please go ahead.

Rajiv Jain: Yes, hi. Generally you don't give guidance, but this is probably the first time that you have at least given visibility for the current quarter. I just like one clarification. Like you said that the current quarter looks good. So is it on Y-o-Y basis or also on Q-o-Q basis?

Rajeev Nannapaneni: I was comparing Q-o- Q. I was comparing this Q1 with Q2 And I'm saying Q2 also we should do well like Q1 is what I am saying.

Rajiv Jain: Okay. And at what price would buyback be attractive? Like, if let's say the share price dips to 1,200 will you consider buyback or you don't have it in your plans at all?

Rajeev Nannapaneni: I think we did a buyback already Last year. So that's already done, I was looking at the cash implication. They don't look very good, honestly, from what I can see. But again, as of now I'm just conserving cash for some big acquisitions. At this time, we don't have any plans for buyback. But if something changes, obviously we'll speak about it. But at least my thinking now is, no, not currently.

Rajiv Jain: Okay, sir, okay. That's all. Thank you.

Moderator: Thank you very much. The next question is from the line of Bhumika Jain from Desvelado Advisory. Please go ahead.

Bhumika Jain: Good morning, sir. Hi. My question was, revenue has been increased by 21.5% Q-o-Q. So what are the factors, like geographically and order wise, both, which led to the boost? And it is reoccurring revenue at the base or due to any large order?



- Rajeev Nannapaneni:** So, if I understood the question, what is the factor for the growth in the revenue and the profits. Is that the question?
- Bhumika Jain:** Yes, sir. And is it the reoccurring one or any one particular thing that led to the boost?
- Rajeev Nannapaneni:** I think we have multiple factors. I think obviously development played a role as well. Yes, I think that's what has driven the earnings and I think things are stable. Overall, our international generics business has done well and so that's one of the many factors why the earnings have been growing here.
- Moderator:** Thank you very much. The next question is from the line of Rahul Choudhary, Individual Investor. Please go ahead.
- Rahul Choudhary:** Hello, sir. My question is regarding the API revenue and domestic formulation. API revenue seems stagnant for many years now. And in domestic formulation, if I am not wrong, you had said last con call about some jackpot ideas. So is this amalgamated in the a jackpot idea or is it something else?
- Rajeev Nannapaneni:** No, I think Semaglutide is one of our great ideas. I think that's what I was trying to tell a few minutes ago. Yes. For domestic, it's been Semaglutide has been one of our biggest ideas that we have, but subject to us getting approval and then getting, launching in the first phase on patent expiry.
- Regarding your other question about API business being, you know, not growing. I mean, a lot of API consumption is actually captive. So that's the reason why you don't see that reflection of growth. In terms of output and all, I think it's been fairly occupied and there's a lot of captive consumption. That's the reason why we are unable to service the outside customers. But there's obviously scope for improvement. I think we're always looking at that. I mean, we're trying to add some capacity so that we can service our outside customers and improve our internal capability.
- Rahul Choudhary:** Right, sir. Sir, my other question was on the 28 products on the Para 4, pipeline. When we say 13 are approved, tentative or fully, it means -- what does it mean, that litigation is ongoing or we've got the final clearance to launch in a particular future?
- Rajeev Nannapaneni:** Some of them are tentatively approved. Tentatively approved means that they're approved, and they are not given final approval. Some of them we have settlements, and some of them are under review. So, I think depends on the product.
- Rahul Choudhary:** Right, sir. Thank you very much. That's all.
- Moderator:** Thank you very much. The next question is from the line of Yash Dantewadia from Dante Equity Capital. Please go ahead, sir.
- Yash Dantewadia:** Yes. So basically my question was, by end of this year you might have approximately INR3,000, INR3,500 crores in your books, right, in terms of cash. Can you highlight the, for the lack of better words, the shopping environment or the takeover or acquisition environment that is out



there for your industry, what kind of companies would you look at? Is there something in the pipeline? And basically outline the environment?

You've been a high ROCE company over the last decade. So obviously finding opportunities of that scale in size with high ROCEs might not come at a decent valuation, will obviously be much more expensive on that side. So, if you are a company with INR2,000 crores, INR3,000 crores cash and if you go out to buy companies out or take over companies or acquire companies, what is the environment that you see out there with that much cash? Are you seeing any opportunities that might materialize in the next year or two?

Rajeev Nannapaneni:

Good. Thanks. Yes, so, honestly it is very tough. I mean, as you rightly said, our sector is, you know, anything that you want to buy is very pricey. It's very difficult to, especially in the domestic's formulation space the valuations are extremely rich but it is what it is, right? So, you need to figure out a way how to do a transaction. Personally, I find it very difficult to find a transaction, maybe I'm too conservative, but we are unable to find anything. Outside India, we are finding reasonable opportunities. I think there's a fairer return of capital there compared to domestic.

But you know, we are evaluating. I mean, I'm not in a hurry to do a transaction. I don't want to do a bad transaction. So, like this, I mean I prefer to leave the cash alone rather than to do a bad transaction. I think that's always my thinking.

Yash Dantewadia:

No, that's great. But when you look at the environment, what would -- what would be a great opportunity? I mean what, what are you looking in terms of ROCE? Like, what -- what is a great opportunity to you that you would go and like to buy? Like would you be able to picture that business and like tell me like this is -- this is the kind of business I would want to buy, or that in which you sector, what exactly I mean, what chemistry? Anything, basically on how you want to raise your cash?

Rajeev Nannapaneni:

Spend my money. If you leave out the R&D that you're doing, organic growth that you doing, I would spend my money on only two things. One is on new technologies, companies or startups which will give you something very disruptive, which can have a significant impact on your earnings and something that is extremely disruptive and unique. Or two, buy a business where you have a gap in your portfolio.

Let's say we're nothing covered in a particular market. Let's say, I said a few minutes ago, we're not there in Africa, we're not there in Western Europe. So, if you get an access to one of these markets, then it's worth spending, because whatever you're doing you can extend your pipeline there. I think there's only two reasons I would spend my money.

I would want to get a good return. I will not get caught up in this craziness. I believe that everything is very rich and it's very tough to justify a return on capital, but you got to do it the way you know. I think you can't feel pressure to do a transaction, then you're in a way getting into peer pressure, right? Individually, you will always say that you should never, you know, succumb to peer pressure. So same for businesses too, right?



You can't succumb to peer pressure to do a bad decision. A good decision is always a good decision. And even if everybody else is doing it, doesn't mean that it's the right thing decision. So, you got to know what you're doing, and as long as you get a fair return of capital and you do it based on what you think is right. Okay?

Yash Dantewadia: Great. Thank you so much for taking all my questions. Have a great day. Thank you.

Rajeev Nannapaneni: Yes. Thank you.

Moderator: Thank you very much.

Rajeev Nannapaneni: Take one final question.

Moderator: The next question is from the line of Ankit Minocha at Adezi Ventures. Please go ahead.

Ankit Minocha: Yes, hi. Good afternoon. So just to follow-up on the previous question and your comments on the acquisition being probably in a different geography or a complementary, is it necessary that this acquisition has to be in the pharmaceutical space? But, I mean considering the current environment for something like your allied business, which is agrochemicals, I mean we could look at environment where valuations are a lot more favorable. So I just wanted to get the management tell that if there is a niche business case in agrochemical case, so could that be viable...

Rajeev Nannapaneni: Yes, I think even agro also we can do. You can do any business. Obviously, we had to stick to our core capability, and it has to add synergy to what we have. So, I think as long as it makes sense, we can look at different levels of diversification. But again, we are, a core healthcare company.

So, any idea that we do will obviously be related with healthcare, and obviously we're doing a bit of agro, so. But it has to be complementary, disruptive, unique, and a reasonable return on capital, I think. Unless it checks all the boxes, you should not be in a hurry to do a transfer. Okay?

Ankit Minocha: Fair enough. Thank you. And my last question was basically, you spoke about the three large opportunities, whether it was Semaglutide or the other two molecules. How would you put these in scale in terms of what we are seeing currently with Revlimid? Or if I was to look at those individual opportunity sizes?

Rajeev Nannapaneni: I mean, these are all large opportunities. I mean, all the IMS data of these products are already there. So, you can make an extrapolation. It all depends on market formation. So, there's lot of multiple factors. I mean the ones that I'm mentioning are reasonably large opportunities. So, when I said reasonably large, I mean something that will make you 50 million to 75 million or 100 million types of upside. So those are only ones I'm talking about. So, assuming that they all work out, assuming we win the litigation, we have a good launch, we get the approval on time, you know, everything goes well.

Ankit Minocha: Right. Thank you so much. Have a good day. Thanks.



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Moderator: Thank you very much.

Rajeev Nannapaneni: Again, let me apologize for the telephone disconnection. I mean it happened three, four times. I sincerely apologize. We're just having a technical challenge. Again, I appreciate the time that you guys have come and engaged with us to ask about what we're doing. I appreciate your time and thank you for coming and thank you so much. Thank you.

Rajesh Chebiyam: Thank you, all.

Moderator: Thank you. On behalf of Batlivala & Karani Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.