Jubilant Pharmova Limited

Q3 & 9M FY'22 Earnings Conference Call

February 04, 2022

Vineet Mayer: Good evening everyone. Thank you for being with us on our Q3'FY22 earnings conference call. I would like to remind you that some of the statements made on the call today could be forward-looking in nature and a detailed disclaimer in this regard has been included in the press release that has been shared on our website.

On the call today, we have Mr. Shyam Bhartia – Chairman; Mr. Hari Bhartia – Co-Chairman and Managing Director; Mr Arvind Chokhany - Group CFO; Mr. Pramod Yadav – CEO, Jubilant Pharma; Mr. Giuliano Perfetti – CEO Jubilant Biosys; Mr. Syed Kazmi – CEO, Jubilant Therapeutics and Mr. Arun Sharma – CFO, Jubilant Pharmova

I now invite Mr. Shyam Bhartia to share his comments.

Shyam Bhartia: Thank you. Good evening everyone, welcome to this conference call. The company's performance during the quarter was affected by headwinds witnessed in Pharmaceuticals segment, which was partly mitigated by continued robust performance in the Contract Research and Development Services, CRDS segment.

In the Pharmaceuticals segment, while the Radiopharma business witnessed improved performance, Generic business was affected by lower volumes due to import alert at Roorkee plant, latest sartan issues, impurity issues, and pricing pressure in the U.S. generics market.

Our API business was affected due to lower volumes resulting in from an unplanned shutdown during the quarter. Performance of API business is expected to normalize in Q4' FY22.

In our Contract Research and Development Services business, we continue to witness strong growth on year-on-year basis, driven by robust demand from our customers for our Drug Discovery Services.

I'm glad to mention that in the Proprietary Novel Drug business, our lead program LSD1/HDAC6 inhibitor has successfully received FDA clearance for our IND filing and is on track for initiation of Phase 1 trials in Q4' FY22. Additional, IND filings for pipeline programs are expected to follow in FY 23.

I would like to mention that over the medium term, we have strong growth levers in our businesses. To drive growth in these businesses, company will continue to invest accordingly. I'm glad to update that our strategic initiatives of API demerger is progressing well and in January 2022, we have further received approval from the shareholders and unsecured creditors of Jubilant Pharmova. We expect to complete the reorganization during Q1'FY23.

With this, I hand over to Pramod to discuss the Pharma business.

Pramod Yadav: Thank you, Mr. Bhartia. A very good evening to all of you. Pharmaceutical revenue was at Rs. 1,186 crore versus Rs. 1,692 crore in Q3'FY21. Radiopharma business witnessed improvement in sales year-on-year; however on a sequential basis, performance was lower due to customer order scheduling and the surge in COVID cases in North America especially in the month of December 2021. However, we continue to maintain the majority market share. Spike in COVID cases impacted Ruby-Fill installations during the quarter and pushed our new installs to the fourth quarter. A strong performance on new installs is expected in Q4 as it generally witness higher installations. Phase 2 and phase 3 clinical trials for NDA of our I131 MIBG are progressing satisfactorily.

Radiopharmacy business witnessed a steady performance year-on-year. Turnaround plan is on track with positive outcome over the last two to three quarters, however, COVID impact remains uncertainty.

The Allergy Immunotherapy reported robust performance on year-on-year and stable performance sequentially. The business continues to operate at volumes higher than pre-COVID levels.

As mentioned during the previous call, CMO business revenue was affected as the revenue related to COVID-related one-off deals tapered off and also because of some customer scheduling.In Q3'FY22, we realized Rs. 80 crore of COVID-related revenue as against Rs. 200 crore in Q3'FY21 and Rs.150 crore in Q2'FY22. Business now is expected to operate at the normalized levels.

The API business performance was affected due to lower volumes resulting from unplanned plant shut down during the quarter. We expect now to see improvements in coming quarters.

In generic business, performance was affected by impurity issues in certain sartan products, which is an industry-wide issue. The lower volumes due to import alert at the Roorkee plant, the pricing pressure in the US market, and lower Remdesivir sales due to fewer hospitalizations. Our immediate strategy is to increase production further in U.S. facilities, increase sales from the Roorkee plant for non-U.S. market and simultaneously transfer some of the Roorkee products for U.S. market through CMOs to get back in the market early.

I am glad to mention that we have resolved the sartan impurity issue in a very short span of time and have re-launched the product in the U.S. market, which will support performance of this business in the next financial year.

With regard to Roorkee import alert, our remediation activities are ongoing as per plan and we expect to complete same in H1'CY2022.

In 9M' FY22, Pharmaceutical business revenue was at Rs. 4,271 crore versus Rs. 4,304 crore in 9M last year. EBITDA during 9M' FY22 was at Rs. 864 crore versus Rs. 1,020 crore in 9M'FY21.

With this, I hand over to Giuliano to provide insight into the Contract Research and Development Service business.

Giuliano Perfetti: Thank you, Pramod. In our Contract Research and Development Service business under Jubilant Biosys brand, we continue to report robust performance driven by sustaining strong demand from Biotech companies for our integrated discovery as well functional service such as Chemistry, NPK, and Discovery Biology.

The business has healthy pipeline of new contracts and customer acquisition for FY'23. Q3'FY22 revenue grew 51% year-on-year and EBITDA grew 59% year-on-year with a margin of 38.5% vs 36.4% in Q3'FY21. Our 9M' FY22 revenue was up by 49% year-on-year, EBITDA by 72% year-on-year, and margin stood at 36.7%.

I'm glad to mention that we are ramping up capacity utilization at our new state-of-the-art chemistry research innovation center at Greater Noida as per the plan. The new facility has been designed with highest global compliance standards to support both Biotech and Big Pharma by delivering superior speed, quality, and innovation.

In view of the strong demands from our customers, we have approved further expansion of the Greater Noida facility, which will deliver both Chemistry and NPK services.

With this, I now hand over to Syed to discuss the Proprietary Novel Drugs pipeline.

Syed Kazmi: In our Proprietary Novel Drugs business, we are focused on developing potential first-in-class and best-in-class precision therapies in oncology and autoimmune space. The company uses Jubilant's proven discovery engine with structure based drug discovery expertise and a track record of partnerships.

The acquisition of our out-licensed EGFR program to Lengo Therapeutics by Blueprint Medicines in December 2021 provides validation for our platform. We received our initial share of proceeds from the transaction in Q3'FY22 that would be followed by additional milestones and royalties as part of our licensing agreement.

We currently have four highly differentiated active programs in the pipeline. 1) A novel first-in-class dual LSD1/HDAC6 inhibitor, JBI-802 with synergistic anti-tumor activity that provides superior efficacy and optimized therapeutic index with quick on, quick off kinetics compared to LSD only and HDAC6 only inhibitors. 2) A substrate competitive brain penetrant, PRMT5 inhibitor JBI-778 with sustained exposure in both brain and plasma to treat many types of tumors localized in the brain. 3) An oral brain penetrant PD-L1 inhibitor, first ever potential checkpoint therapy for brain tumors. 4) A novel PAD4 inhibitor with potential first-in-class profile in tumor metastasis and autoimmune disorders with no immune suppression validated by collaborations with Boston Children's Hospital, Harvard and Wistar Institute.

The lead program LSD1/HDAC6 inhibitor has successfully received FDA approval of IND filing and is on track for initiation of phase-1 trials in Q4' FY22. Additional IND filings for pipeline programs are expected to follow in FY23.

We are transforming Jubilant Therapeutics to a clinical stage biotech with higher value creation opportunities through potential partnering deals, capital markets access subject to the emerging scientific results.

With this, I now hand over to Arun to discuss the financials.

Arun Sharma: Thank you Syed. A very good evening and I thank everyone for taking out time and joining us on our quarterly earnings conference call. I would like to highlight the company's financial performance for the Quarter and 9M ended 31st December 2021.

Revenue from the operations during the quarter was at Rs. 1,311 crore as compared to Rs. 1,771 crore in Q3 last year. Pharma revenue was at Rs.1,186 crore versus Rs. 1,692 crore in Q3'FY21. While Contract Research

business reported revenues at Rs. 120 crore as compared to Rs. 79 crore during Q3' FY21. The reported EBITDA during the quarter was at Rs. 200 crore as compared with Rs. 496 crore in Q3'FY 21 with margin at 15.3% versus 28% in Q3'FY21. Depreciation and amortization expense during the quarter was at Rs. 93 crore versus Rs. 96 crore in Q3'FY21. Finance cost during the quarter was at Rs. 37 crore versus 46 crore in Q3'FY21, a reduction of 21% YoY. Effective tax rate of 27.7% versus 35.6% Q3'FY21, current quarter benefited from reversal of certain deferred tax liabilities. Reported PAT during the quarter was at Rs. 51 crore as compared to Rs. 219 crore in Q3 last year. EPS for the quarter was at Rs. 3.2 per share versus Rs. 13.75 per share in Q3' FY21.

For 9M'FY22 revenue stood at Rs. 4,603 crore versus Rs. 4,519 crore in 9M'FY21. Pharmaceutical revenue was at Rs 4,271 crore versus Rs. 4,304 crore in 9M'FY21. Contract Research and Development Service revenue was recorded at Rs. 315 crore against Rs.211 crore last year. Reported EBITDA for the period was at Rs. 923 crore versus Rs. 1,033 crore in 9M'FY21. Depreciation-amortization expense was at Rs. 281 crore versus Rs. 263 crore in 9M last year. Finance cost was at Rs.106 crore versus Rs.141 crore in 9M'FY21. Lower finance cost was due to lower gross debt and lower cost of debt in Q3'FY22 versus Q3 last year. Average blended interest rate for 9M'FY22 stood at 4.58% versus 5.17% in 9M'FY21. Effective tax rate of 32.6% versus 34.8% in 9M'FY21, current period benefited from reversal of certain deferred tax liabilities in Q3'FY22. PAT for 9M'FY22 was at Rs. 354 crore versus Rs. 401 crore for 9M'FY21 with EPS of Rs. 22.26 per share versus Rs. 25.19 per share in 9M'FY21.

Net debt on constant currency basis on December 31, 2021 was at Rs.1,792 crore versus Rs. 1,928 crore as on March 31, 2021. During the quarter we saw net debt on constant currency to decrease by Rs.32 crore. On YTD basis, net debt on constant currency basis was lower by Rs.137 crore.

Capital Expenditure including R&D capitalization was at Rs. 112 crore for the quarter and Rs.350 crore for 9M'FY22. For FY22, we expect capex of around Rs. 500 crore to be incurred.

With this, I would like to conclude our opening remarks. We will now be happy to address any questions that you may have.

Moderator: Thank you very much, we will now begin the question-and-answer session. The first question is from the line of Rahul Veera from Abakkus Asset Manager LLP. Please go ahead.

Rahul Veera: Good evening. I am slightly disappointed with numbers that have shown. In our earlier notification, we've mentioned that the impact of Roorkee import

alert would not be more than 3% because of the exempted products, but sequentially if we see, within one quarter itself we are seeing the whole annual impact, if we try to see the commissions of Rs. 150 crore that we see decrease in the Generics. So I'd like to understand what exactly has happened and what will be the run rate going forward?

Pramod Yadav: So, what guidance we gave earlier about the 3% of the overall company revenue for the restricted product, the impact we are still measuring for the FY22. But in addition to that, there have been the other factors which have impacted the overall performance, which mentioned are sartan impurity issue because we had to withdraw the product from the market which is also industry-wide issue. We also had the lower sales of the Remdesivir as the hospitalization due to Omicron is not there much and the Remdesivir is prescribed for the hospitalization, so sales was lower. Other issue is overall generic prices in the U.S. For us, the major market of the generic is U.S. and the entire U.S. generic industry is going through this cyclinical trend, when the prices goes up it comes down after a year or two. We are also not immune to that, like everyone we are also impacted because of that. These are the reasons which have led to the impact in the performance.

There was also some impact of the products which were exempted, because we had mentioned in our last call that we took almost a quarter to restart the supplies to meet the FDA requirements for the additional quality checks.

Rahul Veera: Right. Sir, have we restarted the exempted products back to U.S.? Also are we planning the remaining capacity would be diverted to the other markets?

Pramod Yadav: So the exempted products supplies have started to U.S. market. With regard to the diversion of the capacity to the other market, our efforts are ongoing in that direction and we expect that in next financial year, our sales to the non-U.S. market will be much higher in comparison to FY22. Same way, I had mentioned in my speech that we are also increasing capacity utilization of our U.S. facility and we expect that facility to operate at a higher rate even after the pricing pressure for the products in the U.S. market remains there. The products which are restricted for the U.S. market currently, we are in the process of transferring them to the CMOs so that we can get into the U.S. market early. So those efforts are also on.

Rahul Veera: Okay, and in terms of the CDMO, our current run rate of Rs. 370 crore is that the normal base or there will be some products which are one off even in this quarter for the CMO business?

Pramod Yadav: In this quarter, about Rs. 80 crore of the revenue we realized by those tapering COVID-related deals and those deals are now almost getting over. From Q4 FY22 and next financial year, we expect this business to be operating at the normalized levels.

Moderator: Thank you. Next question is from the line of Devesh from DS Investments. Please go ahead.

Devesh: Good evening sir, just wanted to get a quick view if we were to model Q4 specifically within Pharma segment starting with Specialty Pharma, CDMO, Generics. I don't need a finite number but would we be looking at improving trajectory for all of the sub segments? Can you give a qualitative view in terms of QoQ what should we expect?

Pramod Yadav: The issues because of which the Q3 performance has impacted, some of the issues are gone off and some of the issues will take a bit longer to get fully resolved. In the CMO business, COVID-related deals which have tapered off, now the business operating at the normalized level and it will continue to operate at the normalized level, which are also healthy margins.

With related to API, the plant shutdown was the one off activity. In Q4 onwards, the plant is expected to operate at the normal level and it's currently operating at the normal level. In API, the overall performance in Q4 will be definitely better than Q3.

With regards to Generic, the import alert impact will continue. The U.S. pricing pressure impact will continue. The lower sales of the Remdesivir impact will continue. However, the losartan -- impurity issue of the sartan is getting resolved. We have launched the product in the market, but more impact of that we will start seeing from Q1 of next financial year.

Devesh: Okay, thanks. In Q3, like our EBITDA is about 15% for Pharma segment and let's say Q4 or Q1 when we sort of normalize operations and the issues are behind us, what is the sustainable EBITDA for Pharma segment in U.S., range is also good enough?

Pramod Yadav: It will be difficult to give range. But in Q4, we don't expect too much of the change. It will be marginal improvement over Q3. We expect that in next financial year in the operating businesses we will see the improvement. We expect to see improvement in Radiopharma business hopefully COVID should be behind us by that time. The Allergy business will continue to improve and will keep on delivering the healthy performance. But the COVID deals in the CMO business and the issues of the Generics, will have an overhang.

Devesh: Great. Sir, one last one, because we called out certain improvement within Q4 and we are already one month in Q4, how are you seeing Ruby-Fills which sort of installation were moved to Q4? Are they on track for your internal plans? Are they looking good?

Pramod Yadav: Yes. in Q4, we have already done quite a lot of installs, which we missed in Q3. January was a good month for that. We also have many of the contract signed, which we plan to install in the month of February and March. In terms of overall installed planned for our FY 22, I will say that we are on track, but quarter-on-quarter there had been variation and more related to the COVID impact.

Devesh: Thank you. CRDS segment, we have done about Rs 315 crore on nine-month basis in this year and I believe new CAPEX is going to come online, do we have a view in terms of what are we expecting in FY23 on CRDS based on new CAPEX that is going to come online?

Giuliano Perfetti: I think we expect a large number of contracts and renewal to be signed and we do expect definitely higher in terms of the overall revenues than the previous year that's mainly due to the utilization of the new assets which is in Greater Noida and we are now ramping up to full utilization of that.

Devesh: Would you be able to portray a number for us to sort of model our analysis? Again, a range would be good.

Giuliano Perfetti: What I can tell you for the moment is that we do have already new contracts and renewals, which we think will be realized in the next year and we are working to fulfill this pipeline. But difficult to provide you precise number now since we are finalizing these valuation from our sites. But, I think the performance of Q3 and Q4 will be helpful to identify the level for next year.

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

Vivek Gupta: My first question, there's a significant drop in Generics probably I'm not sure if some of the previous participants have asked that question or not. You have been attributing that it is related to import alert issued at the Roorkee plant, but this significant drop in the Generics. On one side, we are seeing it is 3% drop and on one side, we are quoting a significant number. I am not able to understand what is the reason behind it?

Next question. We have been telling in each and every con-call that there will be a turnaround in the Radiopharma business.

I want to understand how we are going to really plan out the significant turnaround which we have been just talking about. I have seen that there is significant hit in the margins also.

Pramod Yadav: Your first question on the Generics, exactly same question was asked earlier I think by Rahul, maybe you were not on the call that time. We had explained that due to import alert the impact guidance which we gave to the

market earlier for the restricted product being about 3% of overall company's revenue, we are staying within that guidance.

The additional impact on the Generics business which has come are due to the other reasons as well, like the entire U.S generics Industry is going through the pricing pressure. So we are also impacted. The sales of the Remdesivir in spite of higher the surge of the Omicron is much lower in comparison to previous year. Remdesivir is being administered when the patient goes to the hospital and the Omicron is not leading too much of the hospitalization. It's good for the society, but it has impacted on the Remdesivir sales.

Other issue is the impurity issue of the sartans, which is again the industry-wide issue and we were also impacted because of that as we had to recall the products. We have already cleaned up the process and we have already launched the product in the market and from next financial year, we expect to see improvement in performance due to the sartan issue.

With regard to the Radiopharma business, I can understand the sentiments behind your all the questions. But the fact is that we are also not very happy with the performance and we continue to see as the business starts coming out, again the COVID surge and we see the number of cases or the elective diagnosis which is happening at the imaging centers gets missed out. Now we have an advantage of being in both sides of the businesses, manufacturing product and then also distributing. From our pharmacies, we track the number of doses being dispensed on daily basis, on weekly basis and we see a direct correlation of the number of doses that is dispensed versus the COVID cases which are there in the U.S.

As we speak, we are back to about 90% of the pre-COVID level, which had improved about 96%-97% in Q2 of this year. However, when we talk about the overall plan to turn around the business, we had given the guidance that it will be turning around by FY 24. It was not to be turned around immediately. The turnaround was to happen because of three different initiatives; overall growth of the top line, the improvement in term of procurement efficiencies and overall operational efficiencies.

I am happy to inform that the improvement in the procurements, most of the initiatives have been implemented and we have already started seeing benefit of that. In terms of operational efficiency also the projects are on track, some improvements have started flowing into the bottom line, some are yet to be captured.

We are growing the top line but it's a bit challenging in this current environment especially during the time of COVID when the hospitals and the hospital systems are much more vigilant to other activities. For them, changing the vendors and changing their entire software and shifting to

another supply chain is not the priority. We are winning the deals and it's a business where you have to continue to win and there is a continuous turnaround. Our overall winning rate this year has been higher than the last year and our losses has been lower than what it had been last year. We are on track, but yes it will take time. We don't expect this business to turn around before FY24.

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

Rahul Veera: Wanted to understand even if you consider Specialty Pharma at Rs. 633 crore revenue, ideally even if you consider Radiopharma plus Allergy business at higher margins of 14 plus and the losses of Triads, the net EBITDA margin should be 30% which comes to around Rs 180 crore which is the reported EBITDA for the Pharma segment. Where is the assumption going wrong? Was there's a large loss going on in Generics business at Rs. 188 crore of top line or is it the CDMO business at Rs 373 crore of top line not generating any EBITDA? Which segment is hitting us hard?

Pramod Yadav: In this quarter, the Generics segment had hit us. There was also impact in the API, which we've mentioned that the plant was under unplanned maintenance shutdown. The Radiopharma business I was not able to catch the numbers you were talking about.

Rahul Veera: At Rs. 633 crore of top line in the Specialty Pharma where we include Allergy plus triad plus Radiopharma. sort of really between the three? Allergy is close to monopoly. In Radiopharma, we are close to monopoly. These two segments within Specialty Pharma should be generating 40% to 50% plus EBITDA margins, and there'll be some losses in the Triad that we have to include here. If I consider net 30% EBITDA margins for the Specialty top line. So this itself should be the total reported EBITDA. Then the CDMO business is we are probably doing at a very low margin and there is a major loss happening at the Generics business. So just trying to reconcile.

Pramod Yadav: You took the benchmark of 30% of EBITDA margin in Specialty. We are not at 30%, we are lower than 30%. We have very good margins in Radiopharmaceuticals, which is our developing and manufacturing products. We have good margins in the Allergy but on the Pharmacy side, we have losses.

Rahul Veera: Right. So losses have expanded, just trying to understand that?

Pramod Yadav: Losses in FY22 are lower than FY21 due to all the plans which I mentioned in the previous question that we are improving year-on-year, we are

improving quarter-on-quarter, so we are on track. They were higher in FY21, but the losses are still there but lower than FY21.

Rahul Veera: Rs. 188 crore of top line in Generics, would we be making any money in the EBITDA level ?

Pramod Yadav: The Generics in this quarter we didn't make money.

Moderator: Thank you. The next question is from the line of Bharat Celly from Equirus Securities. Please go ahead.

Bharat Celly: Thanks for the opportunity. So just wanted to understand sartans issue bit more. Can you just tell us exactly how you are going to re-launch the product and when the other competitors also had to discontinue the production or you were the only one and are we going to see a further increase in the prices once we re-enter the market or the prices are still subdue?

Pramod Yadav: For sartans we did not have high market share. There are other two players which had a much larger market share and when we saw the impurities, we have withdrawn the product. We had also analyzed the samples for many players and we have seen that almost everybody had impurity, but every company is taking their own call when to withdraw or when to recall the product. In the meantime, we had cleaned up the process. The other two of the Losartan products what we have in the market, one is the losartan plain and other one is the Losartan HCTZ. For the Losartan HCTZ, we have already launched in this quarter and the Losartan plain we plan to launch in the next quarter.

About the other players, I will not be able to comment what is their strategy and what they are doing. But we have seen that there have been disturbances in the supply chain of the Losartan from many players.

Bharat Celly: Right. Is it safe to assume that there could be some price change also? Whether the prices are going up, if all are having supply issues related to the quality, so are the prices inching up again like it happened last time?

Pramod Yadav: So far we have not seen change in the prices.

Bharat Celly: Okay. Sir, I am still unable to understand one part, considering that as you mentioned, we didn't have much market share in Losartan, but why we have lost out on the revenues in a bigger way because considering our market share was low and the prices had already corrected in the past quarters, so it doesn't add up. There shall be something apart from sartans as well as the Roorkee issues which should have impacted us. Even if we do that math,

still there seems a big gap and it can't be explained just by mere the price erosion.

Pramod Yadav: Yes. So when I said that our market share was not very high, it's a question of the relativity. The Losartan market size as such is very large. The Losartan overall market size is more than four times of Valsartan, so it's a very large market. In that large market, even smaller market share also means reasonably good number for our Generics business.

Bharat Celly: Right. If we have to just prioritize in terms of what would have led to sharp decline in the Generics business, so what you will keep it at first? Will it be sartan business which will be impacting the most?

Pramod Yadav: No sartan business is not the one which is impacting most, but in sartan business we had to do right tops of the inventory which we recall. So that had an impact on EBITDA. There was an impact due to Remdesivir. If you ask me how to do the prioritization between the both, then I request if you can connect with me after the call and then we can discuss.

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

Tushar Manudhane: Yes, thanks for the opportunity. Just again on the sartan, just would like to understand whatever changes had to be done at the manufacturing level, whether the U.S. FDA kind of confirmation was required to restart or it was done on the company's correlative?

Pramod Yadav: So the impurity was coming from API. We had to clean up the process and we had to revise our DMF and that was done. Then basic that revised DMF we had to also file the regulatory approval for the formulated product that we did and for that also we received approval, and then we launched the product. So all these activities takes time, but we have been able to accomplish that within 3 to 4 months.

Tushar Manudhane: Now they don't have any issue per se on the sartan side from the U.S. FDA standpoint?

Pramod Yadav: Yes, our product is absolutely free of those impurities which was the issue. With that impurity-free product, the Losartan HCTZ we have already launched and the Losartan plain we will be launching next quarter.

Tushar Manudhane: And just lastly on this topic itself, but then is there any scope of market share gain now, now that you have resolved the issue compared to the peers?

Pramod Yadav: Yes. I mentioned every company will take their own call what they are doing with this impurity and when are they withdrawing the product and by when they are able to clean up. So I will say that we are one of those who are ahead in the game. The impact of that we are yet to see.

Moderator: Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Good evening sir, and thanks a lot for giving me the opportunity. Of these 500 odd crore drop in revenue in Pharma that we have seen, it seems to be pretty substantial. So, how much of this was a quarter specific sort of a problem which you see going away? How much of this Rs. 500 crore drop can potentially add back in Q4?

Pramod Yadav: See the impact on API will add back in Q4. The impact of the Losartan will start getting added back in Q4 and then more in the next financial year. But the impact of the COVID-related deals or the impact of import alert or the impact of U.S. pricing pressure and the Remdesivir sales that will not get added back.

Sarvesh Gupta: That is understood, but if you have to quantify against this Rs. 500 crore drop, if you can give a range of percentage of revenue which can be potentially normalized in Q4 from this Rs. 500 crore? What can be that?

Pramod Yadav: I had mentioned that we may see improvement in Radiopharma and Allergy depending upon how the Omicron surge continues, but overall we expect Q4 to be better than Q3 but not substantially.

Sarvesh Gupta: Okay. Sir, when it comes to our Radiopharmacy business, on one side we are seeing lack of hospitalization because of COVID, let's say in case of Remdesivir and there sales are down. At the same time, what can be the reason when the hospitalizations are low and why are people not going to the hospitals to avail off our Radiopharma products? It seems to be like we are getting hurt on both sides of the business. Any particular reason why we are facing these challenges? Because people will also know that hospitalizations are low and all that, so their fear factor will go away and they will potentially want to get these treatments?

Pramod Yadav: In U.S. in the month of January, many of the hospitals had reached at about 90% to 95% of the bed capacity. In the U.S., the number of cases for the COVID are much much higher than what is getting reported in India. And then the impact comes on two accounts. One is that for the hospitals the priority gets shifted because they have to treat the COVID patients and whatever operation they are doing they have to do with all the COVID protocols. And the healthcare workers are also getting impacted because of COVID. So there is absenteeism. We are seeing that absenteeism impact in the US all over. The Airline Industry is getting impacted, Departmental

stores are getting impacted, supply chain is getting impacted, and the Healthcare System is under pressure. So that has an impact on the elective diagnosis especially because any of the nuclear medicine process it takes pretty longer time, then there's a tendency for the patient to shift to less accurate modalities like CT scan, etc and still continues with the treatment.

Sarvesh Gupta: Understood. On the Generics business sir, how do we sort of see the pricing pressure? The general understanding was that in the last quarter we saw a stabilization of the U.S. Generics pricing erosion. So this quarter on a QoQ and a YoY term, if you can quantify the pricing impact that came onto your portfolio that would be very helpful and if you can give a range of pricing erosion that you've seen on a QoQ and YoY basis?

Pramod Yadav: On YoY, I'd say that we are into near double digit in terms of price erosion and that's the impact we have seen on the business. But it's not different from what many other companies have been reporting.

Sarvesh Gupta: On a quarterly sequential basis, have you seen against Q2, which we were thinking at least that it is sort of the bottom?

Pramod Yadav: No sequentially because the pricing it's not much of the impact. The impact is in comparison to last year.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Pramod Yadav: Thank you everyone for joining Q3'FY22 Jubilant Earning Call. If you have any question, please feel free to reach out to Investor Relations head, Mr. Vineet Mayer or to Mr. Arvind Chokany who is our group CFO and we will be more than happy to answer your questions. A very happy weekend to everybody. Thank you.

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