Jubilant Pharmova Limited
Q1 FY22 Earnings Conference Call
July 23, 2021

Pavleen S Taneja: Good evening, everyone. Thank you for being with us on our Q1 FY'22 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 detail 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 -- Chairman and Managing Director; Mr. Arvind Chokhany -- Group CFO; Mr. Pramod Yadav – CEO, Jubilant Pharma; Mr. Syed Kazmi -- CEO Jubilant Therapeutics and Mr. Arun Sharma – CFO, Jubilant Pharmova.

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

Shyam S. Bhartia: Thank you. Good evening, everyone. I hope all are in good health and keeping safe. Before we discuss the company's performance during the quarter, I have an important announcement to make. Board of Directors of Jubilant Pharmova Limited at its meeting held on July 23, 2021, has approved the demerger of the API undertaking of Jubilant Generics Limited and vesting the same with Jubilant Pharmova on a going concern basis to be implemented through a Scheme of arrangement between JGL and JPL and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act 2013.

The business of reorganization is aimed at creation of a small molecule discovery and chemistry focused vertical present across value chain of CRO and CDMO of innovative and generic APIs. It will strengthen and sustain long-term growth, profitability, market share, and customer service, risk management as it requires focused management attention, different skill sets and resources. This will ensure that synergies between CRO and CDMO businesses are realized more effectively under a holding public subsidiary company structure as compared to fellow subsidiary structure. This reorganization would also help in supporting our customers for their needs from early stage of research to commercialization of Active Ingredients and will provide competitive edge to this business.

Now coming to the Company's Performance in Q1 FY'22:

Though the Radiopharma continues to be impacted due to COVID in Q1, we saw sequential improvement in Specialty Pharma segment with gradual recovery across Radiopharmaceuticals, Radiopharmacy and Allergies. In Radiopharmaceuticals, we have enhanced efforts to promote existing products as well as expand our product pipeline with strategic partnership. With the gradual recovery in nuclear medicine

procedures, the Radiopharmacy business has come close to pre-COVID levels and turnaround plan is on track. The CMO business continues to benefit from COVID-related deals. Our Roorkee facility was placed under import alert by US FDA while exempting some products subject to certain conditions. For rest of the products, revenue impact for the company is less than 3% of the total revenues. The company will engage with the agency to resolve the import alert at the earliest and ensure CGMP compliance.

Contract Research and Development Service business witnessed strong year-on-year growth in revenues led by healthy demand from customers. We have doubled our chemistry research capacity and the facility is operational now.

Despite COVID-19-related lockdowns, we have been able to ensure continuity in most of our manufacturing operations across all business segments, while at the same time ensuring safety of our employees.

I take this opportunity to thank all our employees who have worked tirelessly across all our clients and offices to ensure continuity in company's operations while continuing to serve our global customers.

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.1,541 crore versus Rs.1,096 crore in Q1 FY'21. In Radiopharma business, due to improving COVID situation in the US, there is gradual improvement barring lung scans which are trailing the recovery curve. The RUBYFILL installs are picking up and we expect to gain momentum in the US if COVID-19 situation remains stable. In Radiopharma, we continue to maintain majority market share and have long-term contracts in place. We are building a long-term pipeline of Radiopharmaceuticals, including generics as well as proprietary products being used as the Diagnostic, Therapeutic, Theranostics and Devices, via in-house R&D as well as strategic partnerships with key nuclear medicine companies.

We are executing a detail turnaround plan for Radiopharmacies to grow top line strongly with new customer wins, expand network to service newer geographies and enhance cost and procurement efficiencies.

The Allergy Immunotherapy volumes were normalized to pre-COVID levels in Q1 FY'22 as COVID-related restrictions ease.

The CMO business revenue grew year-on-year based on strong demand from customers as well as COVID-related deals. The Rs.200 crore COVID-related revenue for FY'22 indicated in the previous quarter has been realized in Q1 and we expect to realize an additional about Rs.100 crore in the rest of FY'22. Though we have seen pricing pressure in API as well as the Generic business, especially on Sartan, however, the Generic business overall grew year-on-year, as well as quarter-on-quarter on back of higher volumes, including Remdesivir sales.

Our R&D expense is primarily directed towards development of new products in Radiopharmaceuticals, API generics, and allergies. The Radiopharmaceuticals spend is the highest given the complexity of the business and the fact that some of the products are innovative in nature.

The EBITDA for quarter was at Rs.362 crore as compared to Rs.179 crore in Q1 FY'21.

The Roorkee Formulations facility was placed under import alert by US FDA. The agency has exempted a few products from the import alert, namely Meclizine, Olanzapine ODT, Risperidone ODT, Spironolactone and Valsartan. The conditions for exemptions include testing by an independent third-party, the certification by an independent third-party auditor and confirmation that no batch or lot offered was involved in an incident associated with an out of specification results. For the rest of the products, revenue impact for the company is less than 3% of total revenue. We are engaging with the agency and are taking help of consultants and hope to resolve the issue soon.

Nanjangud OAI status remains as it is. We have completed remediation activities and await US FDA inspection.

With this, I hand over to Arvind to provide Insight into Contract Research and Development Services business.

Arvind Chokhany: Thank you, Pramod. Our Contract Research and Development Services business under Jubilant Biosys brand continues to deliver a very healthy performance during Q1. This was driven by strong demand from biotech companies for our integrated discovery as well as functional services, such as Chemistry, DMPK, and Discovery Biology. The business has a healthy pipeline of new contracts and customer acquisitions for FY'22.

Q1 FY'22 revenue grew 55% year-on-year, and EBITDA grew 90% year-on-year. As we informed in the previous quarter, the business has committed investment to double the chemistry research capacity in Greater Noida, and the facility is operational now.

With this, I now hand over to Syed to discuss the Proprietary Novel Drugs Pipeline. Over to you, Syed.

Syed Kazmi: Thank you, Arvind. Good evening, everyone. In our Proprietary Novel Drug business, we are developing a pipeline of potential first-in-class and best-in-class agents to deliver precision medicines focusing on addressing unmet medical needs in the area of oncology, and autoimmune disorders. We are also leveraging our industry validated drug discovery platform to identify novel promising agents and move them from discovery to development on an accelerated timeline.

Our first-in-class LSD1/HDAC6 Dual Inhibitor addresses multi-billion dollar market segments in both hematological malignancies and solid tumors. And it's plan to go on Investigational New Drug (IND) studies with a goal to file IND and initiate first-in human clinical studies in early 2022.

Two more programs are following this lead. Our first-in-class PAD4 inhibitor for targeting autoimmune disorders, such as Rheumatoid Arthritis subsets as well as Metastatic Cancer, and a differentiated PRMT5 inhibitor with potential best-in-class profile, which uniquely shows both blood and brain exposure and therefore sustain brain tumors like GBM as well as Brain Metastases. IND filings for these two programs have planned over the next 12 to 15-months.

The US Biotech market is witnessing very strong investor interest in precision therapeutics, in oncology and autoimmune diseases based on the recent equity raises at attractive valuations.

In our Proprietary Novel Drug business, we are developing very high potential and first-in-class assets in these areas. Four of our assets under development are at a planned preclinical stage and will transition to clinics starting early next year. The company is working towards creating shareholder value in this business through a private or public equity raise during the coming 18 to 24 months.

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 ended June 30, 2021. As the LSI business stands demerged from Jubilant Pharmova effective February 1, 2021, I would cover performance of our continuing business, which includes Pharmaceuticals, Contract Research and Development services, and Proprietary Novel drugs.

Revenue from operations during the quarter was at Rs. 1,635 crore as compared with Rs.1,156 crore in Q1 last year. Pharma revenue was at Rs. 1,541 crore versus Rs.1,096 crore in Q1 FY'21. While Contract Research business reported revenues at Rs.88 crore as compared with Rs.57 crore during Q1 FY'21.

The EBITDA reported during the quarter was at Rs.379 crore as compared to Rs.183 crore in Q1 FY'21 with margin at 23.2% versus 15.8% in Q1 FY'21. Depreciation and amortization expense during the quarter was at Rs.88 crore versus Rs.82 crore in Q1 FY'21. Finance cost during the quarter was at Rs.35 crore versus Rs.48 crore in Q1 FY'21, a reduction of 28% YoY. Average blended interest rate for the quarter was at 4.64% per annum. Reported PAT during the quarter was at Rs.160 crore as compared with Rs.35 crore in Q1 last year. EPS was at Rs.10.1 per share versus Rs.2.2 per share in Q1 last year.

We continue to focus on deleveraging and I'm glad to mention that during the quarter, the company reduced its net debt on a constant currency basis by Rs.277 crore to Rs.1,651 crore.

Capital expenditure excluding R&D capitalization was at Rs.106 crore for the quarter for FY'22. We plan to spend around Rs.700 crore to 800 crore.

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

Moderator: We will now begin the question-and-answer session. The first question is from the line of Alankar Garude from Macquarie. Please go ahead.

Alankar Garude: Sir, can you update us on the key issues cited by FDA which led to the import alert?

Pramod Yadav: The key issue cited by FDA in the 480 observations was mainly related to either cleaning protocols or some of the validations for the way they are backed up in the server, etc. While raising the import alert, the FDA doesn't cite the issue separately.

Alankar Garude: My point there is, if I look at the issue with respect to cleaning, so that was also cited which we received in March 2019 and we had more than two years to rectify the issue. So, why do you think we got the import alert and why did these issues continue to persist even after two years?

Pramod Yadav: We had taken the help of the consultants and we had resolved the issues to the best of our knowledge. But however, when the inspection happened, there were some issues related to the cleaning which was not part of the process. Actually material was not coming in direct contact. And on that part FDA made the observation that these also need to be included in the SOP for the cleaning. Since the issue was related to cleaning, so your observation is right, that this issue also came up earlier and probably that is a reason that FDA took the decision to raise the official action to import alert. But since the issue is only related to GMP and some of the practices which are to be followed, including the cleaning, etc., these are not the issues which are difficult to resolve and we hope that we should be able to resolve the issue very soon.

Alankar Garude: So, basically, there are no data integrity issues?

Pramod Yadav: I will say there is no any data fraud or that kind of issues.

Alankar Garude: Do you see a possibility of a systemic risk for any of our other facilities because of the import alert?

Pramod Yadav: We don't foresee at this stage. We don't have such kind of observations at other facilities. So, nothing more to comment on that at this stage.

Alankar Garude: Sir, my second question is, if you look at the restructuring, is it a precursor to a separate listing of the CRAMS and API business in the future?

Shyam S. Bhartia: No, at this point, the idea is to create a business unit which is synergistic both to the CRO where we provide chemistry service and early stage CDMO. And combine it with our plans for large scale CDMO in the API as well as generic API. So, presently, the idea is to manage this as a one single business unit so that we can provide end-to-end services to the customer.

Alankar Garude: If I see cash has increased sequentially in this quarter. So, would it be fair to say that out of the Rs. 700-800 crore Capex which you outlined for this fiscal, there was not much Capex in the first quarter?

Pramod Yadav: Arun has mentioned that we spent about Rs.106 crore in Q1.

Moderator: The next question is from the line of Rahul Veera from Abakkus. Please go ahead.

Rahul Veera: In our Drug Discovery and Solutions business is in close to 38% kind of margins. Sir, wanted to understand the sustainability? And also, how many research scientists do we have in the team? And what will be the number once we increase the capacity in the coming years?

Shyam S. Bhartia: So, as you heard that we doubled our chemistry service offering with start of Greater Noida unit and we do see a good traction in the market. We are hoping by the time we reach end of next year; we should further look at increasing capacity and we have room available in the Greater Noida facility itself. So, we can quickly take up

expansion or fit out of the units if we need more capacity there. As far as other discovery services are concerned, we do want to expand it in Bangalore, for which the plans are getting finalized, which both Integrated Drug Discovery as well as other biology-related services.

Rahul Veera: Sir, my question is what is the number of scientists do we have right now on payroll and post the increased capacity what will be the number of scientists there in the Drug Discovery business?

Shyam S. Bhartia: I don't have the numbers ready in hand, but I will make sure that it comes to you.

Rahul Veera: Post this reorganisation, how will our business appear which will be the large division and which will be the second division? Right now we report Specialty CDMO and Drug discovery

Shyam S. Bhartia: Jubilant Pharma will be large business and then CDMO will also be large business and Generic business, the three businesses, and then Drug Discovery, API, Innovative and Generic API.

Moderator: The next question is from the line of Ranvir Singh from Sunidhi Securities. Please go ahead.

Ranvir Singh: Sir, again on this restructuring, just wanted to get clarity. That currently our CDMO business is on US Montreal facility. That US business of CDMO and CRO business under Jubilant Biosys and plus API. That will be getting clubbed?

Shyam S. Bhartia: No-no, the CDMO business is a sterile one. That will stay as one single business unit that is the Sterile Contract Manufacturing. Only the chemistry part which is the API part will get integrated with the CRO business and both are in India as you know.

Ranvir Singh: Only that API was earlier clubbed under CDMO. That is carved out and that CRO business would be clubbed.

Shyam S. Bhartia: Biosys business and the API business will be managed together.

Ranvir Singh: Sir, secondly, you mentioned Rs.200 crore COVID-related revenue came which was related to earlier year. That Rs.200 crore is part of our Pharma business, in this quarter?

Pramod Yadav: This Rs.200 crore was not revenue of earlier year. In the last call we mentioned that during FY'22, we expect about Rs.200 crore revenue to be realized and in this call I mentioned that this entire Rs.200 crore has been realized in Q1. However, on top of that, we expect another Rs.100 crore plus to be realized during the rest of the FY'22.

Ranvir Singh: So, ideally that should come in second quarter or that will spread across rest of the year?

Pramod Yadav: It will be spread across quarters. There can be variation quarter-on-quarter.

Ranvir Singh: If I reduce this Rs.200 crore, then rest of the business has actually been lagging on QoQ basis also and year-on-year there would be some growth but on QoQ the Pharma business has declined significantly, right?

Pramod Yadav: No, but in last year also, there were a lot of COVID-related deals we had and we mentioned that they were close to about Rs.535 crore over the three quarters of FY'21. So, the non-COVID related business continues to remain strong and that business continues to grow as well.

Ranvir Singh: In Specialty Pharma segment, Allergy Therapy you have mentioned that volume has normalized now. Whether we saw a growth in revenue in this quarter?

Pramod Yadav: Yes, since the volumes have normalized, which in the previous quarter were close to about 95%, so to that extent there is a volume growth and the revenue growth.

Moderator: The next question is from the line of Sriraam Rathi from ICICI Securities. Please go ahead.

Sriraam Rathi: Sir, firstly on the Specialty Pharma side, the QoQ recovery in Radiopharma, how has that been Radiopharmaceuticals particularly, has that business grown on QoQ basis?

Pramod Yadav: On QoQ, we have seen that there is a gradual recovery for most of the products. By the time the quarter ended especially the month of June, we were back to pre-COVID levels except the lung scans which we mentioned, are still trailing the recovery curve and we expect that to also recover soon with the time but we did mention in the previous calls also that we expect the lung scans recovery to be little slower than the normal products.

Sriraam Rathi: It is slow but it is recovering, right, in the coming quarter we should see continued momentum in terms of sequential recovery of the revenue?

Pramod Yadav: Yes, in that business we should see the sequential improvement.

Sriraam Rathi: On the CDMO side, if we look at the base business excluding the COVID deals, do you see that the revenue has been flattish on YoY basis and last year also in Q1 overall revenue was down 19%. So, I just wanted to understand on the lower bit of course we are flattish, the base business though we have an order book of around Rs.3,600 crore last time, but that is not included in the number, am I missing out on that or is there any specific reason?

Pramod Yadav: I don't know from where you are getting this analysis that the revenue is flattish. We have the contracts in place where we do the annual price increases and those annual price increases directly go into the growth of the revenue as well as they go into EBITDA. That business continues to remain strong and is growing. Quarter-on-quarter, there could be some bit of variation depending upon the customer requirements and also since we had a lot of COVID-related deals and of course there were higher margins, and there were getting the priority. So, there could have been variation in some of the customer specific requirements, but overall, that business remains strong and continues to grow.

Sriraam Rathi: On the Generic business, this quarter did we see any benefit of higher Remdesivir supplies or something like that, because the revenues are quite strong?

Pramod Yadav: Yes, we had this unfortunate wave-2 of COVID in India and that did lead to the additional sales of the Remdesivir.

Sriraam Rathi: In the coming quarter, that should normalize?

Pramod Yadav: Yes, it will depend upon how the COVID situation remains. But now, the Government has also opened up the exports. During peak of the time the exports were stopped. And as you see, the COVID globally remains bit erratic. In many of the countries, for which we have the license. The overall number of cases is increasing there. So, all will depend upon how this COVID situation continues to evolve. But it will be lower than Q1, that you are right.

Sriraam Rathi: Two questions on the financials. The gross margin seems to be significantly higher this quarter at 78%. Is it because of the COVID-related supplies?

Pramod Yadav: Yes, that did have an impact and also there was an impact of the Remdesivir.

Sriraam Rathi: Remdesivir would have been higher gross margin product for us? Okay. And any specific reason for the higher SG&A expenses this quarter, it looks like around Rs.400 crore versus normal run rate of around Rs.300-340 crore in the past?

Pramod Yadav: There is no any specific reason for that. It may have been normal marketing related expenses. In Q1 of the last year when the COVID was there, so all the traveling, etc., was totally stopped. And as the situation improves, some of those expenses started coming back plus we are also spending the additional amount for the growth for RUBYFILL, and that impact is also there.

Sriraam Rathi: What will be the run rate will be for the future quarters?

Pramod Yadav: I think we can do a bit of the detailed analysis and then take that offline.

Moderator: The next question is from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari: Sir, my question is regarding our Roorkee import alert. I believe we were pretty ambitious in terms of the number of new products that we wanted to get some with plans out there. If you can just throw some light what gets affected because of that and what those plans were?

Pramod Yadav: You are right, now this import alert is there, and we didn't get the VAI. So, till the import alert is lifted, that plan gets postponed. So, we can assume that at least there could be a delay of about a year because of that. But in the meantime, we are also exploring the possibilities that all the important products which are there, if we can file that from the different locations, so that we are able to bring the products earlier in the market. So, we are in the process of doing that evaluation. And at the same time, likewise the products which currently have been restricted for import into US, we can take that to the other sites and then bring them back into the US market. So, that evaluation is also ongoing in parallel.

Pratik Kothari: Sir, on the specialty side, our expectation was that in the Q1, Q2 we will be back to pre-COVID levels, and I believe our pre-COVID levels were anywhere around Rs.700-800 crore a quarter and we clocked only Rs.630 crore right now. So, one, you did highlight that the radio part on the lung side is an issue, but if the new competition coming in resulting in us reporting lower numbers?

Pramod Yadav: Yes, to some extent, competition in fact will be there and this we have been seeing that whenever a generic enters in this space, you have to give some market share and a bit of the price correction happens, but not to the extent what you see into oral solids or to the other generics. So, to that extent, impact will be there, but that impact is not as large as the impact we had because of the COVID. So, the COVID impact was the larger than the competition impact.

Pratik Kothari: My last question is on the CDMO side. Like you mentioned that four, five deals COVID-related which you won last year, you will be completing that in the next quarter. So, post that will we go back to the quarterly numbers that used to report earlier, I am talking about Rs.50, 55 crore a quarter. Do we go back to Rs.250, 300 or do we have something to fill that gap?

Pramod Yadav: One is that the COVID-deals are not ending in Q2, they are extending for the rest of the year. When we have been doing debottlenecking of these capacities, because we were seeing the additional demand in the market and the customers of our existing products were asking the higher volume. Last year and in the current quarter also because of the COVID deals we are getting. Rest of the business volumes has been more or less stagnant. And the COVID deals starts weaning out, we will have the capacity available to take care of the normal business which we have been running and we will have opportunity to grow the volumes there. So, we are already engaged with the customers on that front but in the CMO you are aware that all the scheduling, etc., is done well in advance. So, we are engaged with the customers and already exploring how many additional batches we can make on that once the COVID-related deal streaming the capacities.

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

Vishal Manchanda: Sir, with respect to your Drug Discovery Services, where you have doubled your chemistry capacity, can you quantify how much revenues can it add to your base and how long will you take to do that?

Shyam S. Bhartia: As you know, 50% of our business comes from Integrated and about 50% comes from Chemistry service. So, hopefully by the end of next year we would have doubled our Chemistry part of the business.

Vishal Manchanda: Is this chemistry services have to do with API process development, is that a fair understanding?

Shyam S. Bhartia: While doing discovery work, pharma and biotech companies need chemistry support because they need FTEs and they need sometimes manufacture of very small quantities of molecules, so we do both.

Vishal Manchanda: And sir, second on your specialty business which is currently at a run rate of Rs.630 crore. So, if I annualize it, it's at around about Rs.2,500 crore and if I go back to FY'20, it was say around Rs.2,900 crore then. So, we are almost running at a run rate wherein we will be Rs.500 crore below FY'20 number. So, does that mean Rs.500 crore number losses is largely to do with the DTPA and MAA business loss that has happened in the current quarter?

Pramod Yadav: I am not getting your numbers on the analysis part, but yes, whatever is the impact currently that is related to MAA and the DTPA which are impacted because of COVID

as well as some impact because of competition. So, both the impacts are clubbed into that.

Vishal Manchanda: The entire Radiopharmacy business has normalized, is that fair to assume?

Pramod Yadav: It had normalized towards the later part of the quarter. Even in the month of April in US, there were the cases but in May and then June month was much better.

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

Bharat Celly: Sir, I would request you to quantify what sort of revenue came from Remdesivir during this quarter? And a small clarification, when you say that the COVID-related revenue have been around Rs.200 crore, we are not including Remdesivir revenue in this?

Pramod Yadav: Rs.200 crore revenue for the CMO which does not include Remdesivir, that's the revenue we get from the North America market for the CMO business what we do for innovator company. And Remdesivir we have voluntary license for India and other developing countries which doesn't include North America markets. So, both are totally different businesses.

Bharat Celly: Can you quantify how much had come during the quarter from Remdesivir?

Pramod Yadav: The product-specific quantification we should avoid.

Bharat Celly: On the gross margin part, since there will be a bulked up revenue of Remdesivir, which will be having relatively low margins, still our gross margins have improved sequentially. So, what exactly could be the reason for that because Remdesivir could be relatively far lower margin during this time of the quarter?

Pramod Yadav: No, margins in Remdesivir were reasonably good also, the margins in CMO for the COVID-related deals were much higher than the normal CMO business.

Bharat Celly: How many ANDAs are filed from Roorkee facility? How many are we looking to site transfer to some other facilities?

Pramod Yadav: We have total 98 filings from Roorkee for ANDAs. Out of which 61 are approved and 37 are pending. The ones which are pending which we were to launch after we are out of the warning letter, out of that, two important products we are looking at taking to the other sites, but as of now we are doing that evaluation, we haven't decided completely because this is a very new development.

Bharat Celly: How many products will be filed from the US facility, Cadista?

Pramod Yadav: So ANDA other than Roorkee, we file from Cadista which is in the Salisbury and those products have no issue for the approval. So, we are in to the normal process.

Bharat Celly: How many products are filed from Salisbury plant which is pending approval?

Pramod Yadav: I may not have the exact number but it's into single digit.

Moderator: The next question is from the line of Tejas Lakhani from Unifi Capital. Please go ahead.

Tejas Lakhani: Two questions. First, the entity that you are carving out in the form of a demerger, is just the pure play API business which is give or take Rs.600 crore. Is that understanding correct?

Shyam S. Bhartia: Yes.

Tejas Lakhani: Second, I just wanted to understand that now Triad, our Radio distribution business has been in three years. When we acquired that as well that business was a loss-making entity if I understand correctly. So, just wanted to pick your thoughts on how this acquisition has played out three years down the line, how do you think about it, like your strategic sort of thinking, what are your key learnings from this and do you have any timelines regarding the turnaround?

Pramod Yadav: In terms of strategic thinking, I will say that we are very pleased that this entire distribution within our business of the radiopharma, it gives us the direct access to our customers and as well as we continue to grow the pipeline for all the developmental products which are in the development, in the R&D and which we plan to launch soon in the near years. This distribution gives us the readymade market for those products. Whatever market share we have into the distribution that much market share we as such get on those products directly as well as we launches them plus as I mentioned that every buyer would like to have alternative vendors. So, even in rest of the markets also, we get the share. So, rough calculation, suppose you assume our market share is about 20%-25%, and then we get another 20%-25% market share for the others, so when we launch the product, we straightaway hit close to 50% market share. So, that's a huge strategic advantage we have in this business. And that's the reason we continue to focus on this business. But you are right since we acquired we have been into red. And the reason for that we mentioned earlier is that during the acquisition process, because of the regulatory challenges last much-much longer than what it should have been in the process, customer got panicky, and they have done some long-term contracts with the competition. And those contracts are now coming up for renewal. But unfortunately, in FY'21, we had this impact of the COVID, so that had made some dent onto it. And during the time of the COVID, all the customers were having the priorities for themselves to sustain their business and not to look for the alternate supplies, etc., because when they go for the alternate supplies, they also have to make a lot of changes into their systems for the entire supply chain software, etc., So, during the COVID time, the customers have withheld any discussion on the changing of the vendors. Now, as the situation has started getting normalized in US, now we are seeing all those customers are opening up for discussions. We already have a very strong funnel of the various RFPs and we are in the discussion with the customers. That's why I mentioned that we had planned to continue to grow the top line very strongly. And as of now, we see that in another about two years' time we should be at the breakeven in this business and then we will continue to grow this business and generate positive EBITDA margins. When we see this business as a standalone, but at the same time it will continue to support our all-radiopharmaceutical business.

Tejas Lakhani: Just a quick follow-up that currently from the Rs.1,900 crore Radiopharmacy business give or take, I think the distribution business is roughly Rs.1,400 crore and the manufacturing portion is roughly Rs.500 crore, can you just give me a ballpark understanding that from this Rs.1,400 crore, what is the throughput of our manufactured products going through this Rs.1,400 crore pipeline and what is it from the outside and how do you think this is likely to change in the future?

Pramod Yadav: One is that I am getting lost in your number because they are quite different than the reality, but however, I mentioned we have about close to 20-25% market share but this business we don't distribute only our product, we are also distributing the products of our competitors. So, priority always remains on our product that we are distributing our own but however it's not on exclusive basis because we also have to take care of the customers' requirement. And the customers may have the contact with our competitors. So, it's a mix.

Moderator: The next question is from the line of Shanti Patel, an individual investor. Please go ahead.

Shanti Patel: My question is what is your return on capital employed, return on equity approximately as on 31st March 2022 and 31st March 2023?

Arun Sharma: Return on capital employed is 15%-plus and return on equity is around 14%-plus.

Shanti Patel: And are you expecting the same as on 31st March 2023?

Arun Sharma: No, we are expecting improvement from these levels.

Shanti Patel: What about market share of our various verticals in India?

Pramod Yadav: In India, if you may have seen our overall revenue, the last quarter was about close to 10-12% which also included the contribution from the Remdesivir. Other products what we have in that business, that is the business which we call (IBP) Indian Branded Pharma, that is the business which is the incubating business and we are growing that business quite aggressively now. But the overall revenue of that business as of now is not of material.

Moderator: The next question is from the line of Alankar Garude from Macquarie. Please go ahead.

Alankar Garude: Just one clarification on the five molecules which have been exempted. Till the time the third-party test and audits are completed, are we allowed to sell these five molecules or supplies of them can only resume once all the tests are done and all the three conditions are met?

Pramod Yadav: Supplies can resume only when the conditions are met. But we don't expect it to take long time to meet those conditions, could be probably one month, one and a half month, two months max.

Moderator: The next question is from the line of Tushar Bohra from Emkay Ventures. Please go ahead.

Tushar Bohra: Sir, can you help me with the comparison on the quarterly basis QoQ for the key headline numbers because last quarter you also had Life Sciences business, so how are we doing on a QoQ basis purely for the pharma business?

Arun Sharma: QoQ, we are doing well in Pharma business, and we have given numbers of Pharma business in Q4 also and Q1 also, the numbers are comparable.

Shyam S. Bhartia: Q1 of last year does not include our Chemical Ingredients business.

Tushar Bohra: I am saying Q4 vis-à-vis Q1 if you can just help because the presentation in most places mentions only YoY performance. Can you just help us with the headline numbers like-to-like QoQ performance I am looking for?

Shyam S. Bhartia: It is all like-to-like.

Pramod Yadav: You are asking comparison of Q4 last year versus Q1 this year?

Tushar Bohra: Right sir.

Pramod Yadav: The revenue has grown by 4% and EBITDA is more or less flat.

Tushar Bohra: Now, sir my question is that in this quarter we had in India as well as maybe some of the emerging countries Remdesivir sales have been strong for the company and US I suppose relatively was bit more normalized QoQ plus we would have also had some revenues from the vaccine side. I believe you have been working with some of the vaccine candidates. So, despite that QoQ the performance delta is not visible, sir. So, just want to understand why would that be? And also, post-COVID, what would be the normalized run rate for the quarter, assuming that we don't have any COVID-products related one off as well as business one off, what should we look at as a stable quarterly base for the company on which then we should assume growth going forward?

Pramod Yadav: In terms of Q4 over Q1 the impact what you are mentioning not same in spite of higher than Remdesivir sales. So, that is coming from three accounts. One is that our COVID-related deal in Q1 was marginally lower than Q4. In API, I mentioned that we had some pricing pressure on Sartans and also some pricing pressure on Generics in the US. And third impact was the exchange rate fluctuation where we had to take some impact of the Canadian dollar strengthening in comparison to the US dollar.

Tushar Bohra: What would be a normalized run rate vis-à-vis Rs.1,500 crore revenue on the Pharma side this quarter when you assume things should get fully normalized, what kind of base should we assume on an average quarter?

Pramod Yadav: I will say business-to-business you will have variations like some of the CMO COVID deals will go down but then we will have the growth coming in from Radiopharma business as the COVID gets normalized. Both these businesses are compensating each other due to the impact of the COVID and also we need to watch the pricing development on to the API and on to the Generic space, and we should see the recovery over there.

Tushar Bohra: Sir, on APIs, as you mentioned Sartans being one of our key product baskets is facing pressure, and on the Generic side, given our couple of key plants is facing regulatory issues, so some of the growth has got hampered. So, how exactly do we expect this basket to grow? And on the radiopharma side, would it be fair to assume that since a large part of your normalization is to come from the radiopharma business only, which remains the high margin, it should more than compensate for the drop in margin because of the COVID-related business. So, on an overall basis, as the things get normalized, should we see a gradual improvement in margins further from here?

Pramod Yadav: If the lung scan procedures come back to the normal level, then what you are saying is right. But the only issue is that we are seeing bit slow recovery, however, we are

making efforts in terms of conducting the webinars and educating the physicians to start using the scans because the entire procedure is absolutely safe, the SNMMI has also issued the guidelines asking all the physicians to go back to amend the DTPA because the entire procedure is safe. So, the effort in the direction are going and we have to see the recovery over there happening**.** Overall, when that happens, the business should be back to normal, plus we will bring the additional products which are into the R&D and we also continue to grow the RUBYFILL, we also will have the capacity in the CMO to grow our other products, then the Allergy business continues to do well and in API we have the traction for the volumes, though we will have impact from the Roorkee for the supplies to the US market, but the Roorkee will have additional capacity available to take care of the rest of the world market. So, when you look at all these opportunities for us to grow than just the lung scan procedures where recovery is little slow, in many other places where we can not only compensate that but grow even more.

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

Shyam S. Bhartia: We thank you everybody for joining us on this call. In case you need any further clarifications, please contact our investor relations and we will be happy to answer all your questions.
