“Natco Pharma
Q4 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the NATCO Pharma Q4 FY2021 Earnings Conference Call hosted by Investor Capital Services Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anshuman Gupta from Investec Securities Limited. Thank you and over to you, Sir!

Anshuman Gupta: Thank you moderator and good morning everyone. On behalf of Investec Capital, I welcome you all for the NATCO Pharma Q4 FY2021 and full year earnings call. Today we have the senior management represented by Mr. Rajeev Nannapaneni, Vice Chairman and Chief Executive Officer and Mr. Rajesh Chebiyam, Vice President, Investor Relations and Corporate Communications. Over to you Rajesh Sir. Thank you.

Rajesh Chebiyam: Thank you, Anshuman. Good morning and welcome everyone to NATCO's conference call discussing our earnings results for the full year of FY2021, which ended March 31, 2021. During this call, we may be making certain forward looking statements, which are predications, projections, or statements about future events, and anything said on this call, which reflects our outlook for the future, or which could be construed as a forward looking statement must be reviewed in conjunction with the risks by the company's faces. I would like to state that the material of the call except for participant questions is the property of NATCO cannot be recorded or rebroadcast without NATCO's expressed written permission. We will begin with results highlights followed by an interactive Q&A session.

We hope you have received the financials and the press release that was sent out yesterday. These are also available on our website. Just to summarize NATCO has recorded consolidated total revenue of Rs.2155.7 Crores for the year ended March 31, 2021, as against Rs.2022.4 Crores for the last year reflecting a revenue growth of 6.6% year over year. Net profit for the period on a consolidated basis was Rs.442.4 Crores as against Rs.458.1 Crores last year showing a slight decline of about 3.4%. For the Q4 ended March 31, 2021, the company recorded a net revenue of Rs.359.7 Crores on a consolidated basis as against Rs.477.2 Crores during Q4 of FY2020. Profit after tax on a consolidated basis was recorded as Rs.53 Crores for the Q4 as against Rs.93.2 Crores same quarter last year. As we mentioned in our note in spite of the significant negative impact of the pandemic on our base business, the company was able to sustain its revenue during the year. The company expects strong growth during the current year due to multiple high value product launches in the US, rebound in the domestic India business with new product launches and contribution from the crop had generous.

We have also given the split on the revenues and from this quarter we have started tracking crop health expenses as a separate line item. I will pause here, and we will take your questions please. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Sriraam Rathi from ICICI Securities. Please go ahead.

Sriraam Rathi: Thanks for the opportunity. Firstly on the domestic business, this year we have seen of course impact of pandemic and all so revenue is down by around 24%? How are we seeing the recovery in our oncology business in the last two to two and a half months and how should we look at this business in FY2022 overall? Will it be able to recover back to the FY2020 levels or we will still see some kind of impact there?

Rajeev Nannapaneni: The question about domestic as you know pandemic has hit our domestic business very hard and as you know a lot of the profitability of our business comes from the domestic oncology business and there is a lot of reluctance to go to hospitals for treatment and the unusuality of this business is it is strongly driven by the big metros and if you look at COVID, it has hit the big metros very hard and that is one of the reasons why we have been more affected and especially the chemo drugs which are extremely profitable in our portfolio have been badly affected. So lot of the therapy has gone to the orals. So I think that is what the impact is. I will tell you a few things about the business. One is today the pivot of the business driven by COVID drugs. That is the elephant in the room, and you need to deal with it right away. If we look at the growth even if you look at even this quarter you look at all the data bases, it is completely driven by COVID. You talk about vaccine, you talk about COVID treatment, and you talk about all therapies, which are linked with COVID like anticoagulant, it could be antibiotics, but all related with COVID. If you are not in that portfolio you are not going to see growth. I think that is one of the biggest challenges in our business today. So what we have done is we have pivoted the portfolio towards COVID now. I think lot of the new launches we have activated as you have seen. I think this quarter we have had a couple of antifungal drugs in our portfolio Amphotericin and Posaconazole that has given us reasonable benefit. We have Baricitinib. We are the only generic for Baricitinib right now so that has done reasonably well. We have one good coagulant in our product, anticoagulant, so that has done reasonably well. So the revenue is one time. So when there is a big second wave or third wave time you see a huge hike of revenue. So that way this quarter looks good. Do I see the numbers getting repeated again no unless we see another wave we do not see it? Again we are working on drugs like Molnupiravir so hopefully depending on how the clinical trial goes and the other issues linked to that. Something like that happens then we will see a little buoyancy in the revenue, but as with vaccinations and all settling down we will see the base business also improve

because I think people will be coming back to hospital. That is how I see, but do I feel the business will do better. Yes absolutely it will do much better than what we did last year. How well we will do again this year is based on how the pandemic plays out. I am unable to give a predication okay. Thank you.

Sriraam Rathi: Okay sure got it. Sir just a follow to that Molnupiravir what are the timelines that we are looking at in terms of trials getting completed and what is the competitive scenario in your experience?

Rajeev Nannapaneni: I think again we have to see how that plays out. The clinical trial is ongoing. Let us see how the data comes. I think next quarter we will probably give a brief on how things are. At this time, I would not want to say anything. I will come back to you. Maybe I will give more color on this may be next quarter. At this time, I do not want to say anything.

Sriraam Rathi: Got it and secondly in terms of agrochemical any update that you would like to share as of now in terms of your launch plan?

Rajeev Nannapaneni: What is happening with agro is what you are saying okay. So I think we have two very interesting products that we intend to launch. Let me speak about the first one first. We have licensed the product from ATGC. We are launching something for pink bollworm in cotton. It is a pheromone so for the benefit of the other participants on the call, so pheromone what does is it interferes with the mating of the pest and pink bollworm is one of the more serious pests that affects cotton. So launching of pheromone so this is relatively a greener product and first time in India with that particular formulation that we have. We have a paste formulation, so I think we are going to launch in earnest now with the cotton plantation starting shortly so that is an interesting product. That will go well and the second product I think we spoke about this in the past. It is a Chlorantraniliprole. So I have a couple of updates on that. One is that the court judgment has been reserved at the end of last month. We are expecting a judgment in July. Based on the outcome of that judgment in July, I think we can come back to you and speak about what is next, but I think those are the major developments that I think the agro has. Thank you.

Sriraam Rathi: Thank you.

Moderator: Thank you. The next question is from the line of Ravi Dharamshi from ValueQuest Investment Advisors. Please go ahead.

Ravi Dharamshi: Good morning. Thanks for taking my question. I just wanted to check what is the patent status of Molnupiravir? We are not one of the licenses so how will this work and if we can

just, I understand trials are ongoing and we do not know how the drug is going to pan out, but if you can give some sense of how we will get a play in this market that will be great?

Rajeev Nannapaneni: You asked me about patent, so there is no granted patent on Molnupiravir at this time from what I understand that is the first part of your question. In terms of the licensee and being a non licensee we are not a licensee you are absolutely correct. I think we are open to any alliance. We are willing to work with innovators. We have done voluntary licensees in the past as you know. We have done it on the HC portfolio. Everything is open. I think we are not averse to any alliance with the innovator, so I think when the market formation happens I think we will have more clarity on what it is. I think it is a little premature Ravi. I do not want to speak about it at this time, but to answer your question we are open to any option at this time.

Ravi Dharamshi: Alright no issues. On Revlimid front, now there is no uncertainty in terms of launch right? We are just one step away from launching.

Rajeev Nannapaneni: Absolutely correct. I think we have the approval for most of the strength. The two strengths we have tentative because somebody has filed before us is what my understanding is. We are good to go. I think we have already said that the launch will happen in the March quarter of this financial year. So I think that is very good news for us and it looks good and there are no other challenges at all. I think we have resolved everything, and I think we are good to go Ravi absolutely.

Ravi Dharamshi: Just one followup on Revlimid what is the probability of somebody still going all the way and invalidating the patent and whole market going generic, generic instead of the way it is going? One is that and the second what is the likelihood of some regulator in US taking an objection to this kind of a settled launch of generic?

Rajeev Nannapaneni: Regarding the core cases of the other generics who have not settled I do not have an up to date status on that, so I do not want to comment about this. I do not know where they are so I cannot comment about it. Regarding your second question I think this settlement was entered many years ago and I think we have taken guidance. I think we are good to go. I think that is my understanding that I got from my partner.

Ravi Dharamshi: Just last question from me. Regarding the crop protection the court case that is going on are we likely to miss this particular season if the court case final verdict does not come very soon?

Rajeev Nannapaneni: Our expectation is that the court case verdict will come in July. Again that is our expectation but let us see. As you know in Delhi High Court is in holidays in June, so I think July is when the court opens. We will see Ravi, but this is what I understand from our lawyer I think it will be in reserved for judgment and I think we are expecting a verdict in July. I think we will have clarity in July. I think we will inform the investors I think as the event unfolds. Thank you.

Moderator: Thank you. The next question is from the line of Sudarshan Padmanabhan from Sundaram Mutual Fund. Please go ahead.

Sudarshan P: Thank you for taking my question. Sir my question is the export side, which has also seen a decline on the year-on-year basis and also marginally sequentially. I clearly understand that we have seen a very poor flu season and therefore Tamiflu would be substantially lower to zero, but outside Tamiflu if you give some color how Copaxone and other products are doing? Of course we are also seeing some impact of COVID there as well so are we seeing some kind of a gross coming in and apart I am just talking about the base results and not the new launches that we have catered to launch in the next few quarters?

Rajeev Nannapaneni: I think our bases are doing reasonably well. I think Copaxone has been steady. I think we are getting steady income from Copaxone. There has not been any decline in Copaxone so to answer that part of your question. Lenalidomide has been little stable. It has been fairly stable. Doxil has come in the public domain so there is a slight drop in the profitability and overall it has done well, but I think we figure disproportionate profit out of Tamiflu and that has completely vanished, and I was saying initially the challenge in our business is twofold Sudarshan. I think one is our domestic onco, which has been it is one of our best profitable portfolio that has declined dramatically, and Tamiflu has declined so that has affected the base business badly, but it is what it is. That is how generics work. So you need to plan for the future. In terms of like the way I see 2022 panning out, I think we have got very good approvals and I think Everolimus is probably one of our best approvals for the base business. I think that is an extremely good approval, the only represent strength is only ours and Hickma and the addressable strengths is $130 to $140 million market and ours and Hickma are the only generics. So that is a very good product. It has multiple generics but are very high value products. So I think based on the March estimate that has been given I think it will definitely strengthen our base business. So that is one great outcome that we have got. I think it will improve and of course we have the 180 days in Revlimid and others coming in. Overall I am fairly bullish about the year. I can very confidently say that we are able to fill the gap is what we have lost in Tamiflu.

Sudarshan P: We should also be launching Everolimus this year right?

Rajeev Nannapaneni: I cannot speak about the date. We will speak about it closer to the launch Sudarshan.

Sudarshan P: Sir my next question is on the working capital. I see we have increase in the inventory days. Is it primarily because of certain stated launches or it because the China is facing a big issue that we prefer to have some inventory being build up because the cost is high, etc.?

Rajeev Nannapaneni: No there are only two reasons why the inventory has gone up. They are very straight forward reasons. I will state them very clearly. One is we have built up lot of pandemic inventory so we have the pandemic portfolio that we have, and we have significant inventory on that, but unless you carry inventory you cannot service this business okay so that is one of the big challenges of serving. You have a spike in one particular month and then suddenly the sales drops. So fundamental way of working with pandemic products is you need to have inventory. We have been active in this pandemic portfolio so that is why like we start with Chloroquine, and we have Oseltamivir. Now we have all the newer drugs the antifungal drugs. So we have built up significant amount of inventory so that is one reason why the inventory has gone up. Another thing is agro which is very peculiar. So basically what happens is you need to build inventory before March because all of it the sales happen in Kharif, which is June, July, and August and if you want to produce let us say a product you need to have significant of inventory that you build up before March so that you will be ready to launch in the May, June, and July timeline. So these are two major reasons why we have built inventory but that is how it is going to be because your inventory will be overstated in March, but it will get liquidated in June, July, August, September, and the Rabi and again we build fresh inventory at the end of the financial year so that you can plan for the next year. The way agro works is we need to build large inventory ahead of the season so that you are able to service it. So those are the two major changes as far as the dramatic increase in the inventory.

Sudarshan P: And the Agri portfolio that we have would be for both Kharif and Rabi? It should not be very towards Kharif or shout it more towards Kharif and probably lesser towards Kharif?

Rajeev Nannapaneni: The two major products that we spoke about again the cotton is in June, July and August that is it. If you do not get June, July, and August you pretty much do not get anything because cotton is planted in these months. From what I understand 90% of sales happens in that particular time. So either you do it then or you completely miss the season. In terms of the Chlorantraniliprole again it is all subject to court decision that we said up front. It is subject to favorable court decision. The season for Chlorantraniliprole the Kharif is strongest but there is also reasonable business in Rabi as well. I think that is what my understanding is, but I think the ratio is from what I understand about 70:30. I think 65% to 70% in the Kharif and then 30% to 35% in Rabi season.

Moderator: Thank you. The next question is from the line of Prakash Agarwal from Axis Capital. Please go ahead.

Prakash Agarwal: Good morning and congratulations on the approval for Revlimid. The question Sir in terms of modeling it around like you have in the press release mentioned do have high single digits market share starting March so that market share is for the calendar year so how should we build the second half of the year? Would the supply start from December quarter and the profit share should be picked in March quarter? How should we think about modeling 2023 and 2024?

Rajeev Nannapaneni: I think we have said this in the earlier press release. I think we have one fixed market share in year one and then increases every year. How will we book income and all I do not want to say anything Prakash? It all depends on Teva because Teva is the marketing partner. I think we will speak closer to the market formation; I think we will speak about that. I think at this time, it is premature.

Prakash Agarwal: Okay but in the past you have given like scenarios like somebody comes then the market opens up so at least if you could comment on what is the single player generic at least for six months or 12 months how do you think this opportunity or three months opportunity with one player only you being there? Any idea there?

Rajeev Nannapaneni: Prakash you are asking me things that I do not know. I will only answer what I can speak for NATCO. I think what I understand we will launch the product in March from whatever I understand will be the first generic and the other generics will come and it is going by what is there in the public domain. The other settlers have said that they will come few months after us. When they are coming I am not aware, but they will come after us. I think that is our understanding. At this time that is all I know and that is all I can say.

Prakash Agarwal: Okay Sir thank you and second one on your guidance so every year you come up with the guidance and how do we see FY2022, any guidance for 2022?

Rajeev Nannapaneni: At this time, I do not want to do any guidance Prakash because I am not able to predict myself as to what is going on and because I tried to do it last year and I was not able to do it properly because we were completely caught off guard with the pandemic. I will speak by quarter by quarter. I think next quarter is better than what we have done in the March quarter because of the domestic upside. I think that is what I can say. I will take it by quarter by quarter Prakash. I do not want to take it by the year. I am not able to do it. So I do not want to do something that I am not able to do well with okay. Thank you.

Moderator: Thank you. The next question is from the line of Nimish Mehta from Research Delta Advisors. Please go ahead.

Nimish Mehta: This is about Revlimid. The two dosage forms where we do not have exclusivity 2.5 mg and 20 mg does that mean that we will launch only in September and somebody else will launch before us in that particular dosage strength?

Rajeev Nannapaneni: I just get the feeling yes. I think that is the feeling I have. That is what I understand. I think that is what I was told, but again I stand corrected in the future, but this is what my understanding is.

Nimish Mehta: Okay and the other thing I wanted to understand on Revlimid is that in the approval letter for NATCO it was mentioned there are some five patents, which is covering some three or four method of use that will not be a part of our label and as I understand there are about six methods of use for brand Revlimid so almost half of them we will not be able to write on the label? Is that a right understanding? Will that be a restrictive label for our generic launch?

Rajeev Nannapaneni: I do not think so. Now you are putting me in a spot and asking something, but for what I understand I think we get a full label. I think that is what my understanding is. I will check and I will come back to you. I think that is my understanding. The settlement allows us for a full label is what I understand, but again let me just verify it, but this is my understanding.

Nimish Mehta: The approval letter reads that these are the methods of use that we have not applied for while filing our ANDA that is what it tells so that is the reason I asked?

Rajeev Nannapaneni: Honestly, I do not have an answer to your question. Let me just check and come back. I do not have an answer to your question.

Nimish Mehta: Lastly if you can just tell us the sales of 2.5 and 20 mg that will be very helpful?

Rajeev Nannapaneni: Top of my head I do not know my friend. I do not know, but I think majority of the sale is 5 mg. That is what my understanding is. It is a very small amount I said. Most of the sale is covered in the strengths that we have.

Nimish Mehta: Okay thank you very much.

Moderator: Thank you. The next question is from the line of Kartik Mehta from Klay Securities. Please go ahead.

Kartik Mehta: I just have one question. Revlimid ex of US outside the US how do you see the opportunity? I do not want you to quantify in terms of Canada, in terms of other regulated markets ex of US. How should we expect that to play out over the next two to three years?

Rajeev Nannapaneni: I think for us I think US obviously is going to be huge. Canada will be reasonable. I think the launch date of Canada we are not supposed to disclose because of our settlement I think but it will be reasonable. We will speak about it I think closer to the launch. If you leave these two countries out we are not very bullish. I think it will not be anything meaningful. We have filed in Australia also with a partner. We will see how that plays out, but these are the three major markets that I can. The top of my head I think we will contribute to reasonable amount but outside these three markets. Then we have some smaller fillings in smaller countries like South Africa, little bit in Southeast Asia and all but nothing meaningful in terms of obviously to move the needle I think we need a larger market, but thing for us I think these three markets will be the biggest the feeling I have. Europe we do not have a good position in Europe.

Kartik Mehta: Sir if I may just squeeze in one more with the cash that you expect to receive from these two launches? I know even the past you have said that you have looked at opportunities to acquire some products, but evaluations were a concern etc., just trying to understand from you do you believe in the US or India opportunities like not in the same size may exist for you? How would you allocate the cash for the next two to three years that you are expected to receive from this large opportunity?

Rajeev Nannapaneni: Sure Kartik further thing one is, I think we like to keep cash in the books, which allows us to take a good amount of it. So I am a big fan of keeping money on the books. Let me start off saying that, but obviously as I said we are going to have a reasonable amount of surplus, so I think typically we give away about 20% to 25% in dividend. That is what we have done with our profit that we are getting at this time. So maybe we can assess some increase of divined based on that. I think we will make the call closer once we have the cash. Second in terms of acquisitions there are two gaps in our business I mean to fix. One is that we do not have a franchise in the US for which we need to do something about, so we are looking at a different options and another weakness in our business is that we do not have a very broad base business meaning we do not cover multiple therapies. We are limited to only niche therapies in the domestic business. So these are two gap areas in our business that we need to address and hoping that a good acquisition can help. In terms of valuation vise, I think US valuations are more reasonable now. If you want to buy a front end in the US. India's domestic valuations are for lack of better way of saying are crazy so we are always looking for an opportunity, but as of now we are not close to closing anything at this time, but these

are two gaps areas that I would address through an acquisition as and when a right opportunity was to come. Thank you. Next question please.

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

Nitin Agarwal: Rajeev just taking up from what you mentioned about the US content and your thoughts around it? The bulk of our near to medium portfolio is already partnered out so at what stage up front end like this would make an impacts for your business.

Rajeev Nannapaneni: It will take three to four years Nitin because all of them are partnered out, so all the good ones are partnered out in the near terms, so I think pipeline we are getting in 26, 27, 28, and 29 that is where the impact of the front end is, but we have got to start somewhere. It is a chicken and egg, so you have got to start somewhere. So one decision I made for sure is that we want content in the US clearly. I think at least for the simpler tablet product. Complex generics we can always partner out with someone else because of the cost and the investment involved in doing these generics, but for the typical chemical tablet type of products we need to do our own front end. I think that the opinion that we have so I think we want to do it, but the benefit of that as you rightly said will not play out now, but you know you have to start somewhere right. So you cannot run away from it. My view is this is the simplest way to increase profits right instead of giving away 50% of something just own 100% of something of a smart filing and you get that extra bump, so I think that is where we are.

Nitin Agarwal: Secondly on the US, Revlimid obviously will take care of our earnings for the next two to three years depending on how the landscape will play itself out, how should we look at US subsequent to say for FY2024-FY2025 and two of your filings essentially been this year and how do you see that for the next two to three years?

Rajeev Nannapaneni: I think the way I am looking at its Nitin is obviously right. If everything goes well the Revlimid will hold up earnings for three years or so in subject of how the market formation is, but we will see how it plays out. I have three categories of US filings. You have the typical 2 million filings where you have base revenue so those will not move the needle, but we will have just to build up there and you have the medium size up sizing the 30 million, 20 million, and 50 million type of upside. In those categories for which we have got approval recently. That is a good one. We have ODT I think suspension product I think. These are all niche filings that we have. Then you have the jackpot fillings. Then you have products, which give you more than 50 to 100 million type of outright. So those as of now we have, Imbruvica has that potential, but Imbruvica is probably a few years away from

there. So we need to have a filling. We need to have like let us say five or six of these filings which give you about 20 to 30 million, 10 to 15 million that type of filing and then you need to have like couple of at least three or four filings which give you about 100 million. I think that is what your ANDA portfolio should look at and we have to make smart choices and hopefully the filing goes well and then you get the opportunity. So we need like three of these in a decade. If we get three of them right I think your decade is set. So that is how I look at this. So we have something for this early part of the decade we have something at the end of the decade, so we need something to fill in the gap. Hopefully, I will pull up something else. I think that is the idea. I think we are looking at different opportunities, but they are interesting opportunities. I am very bullish. I think something should work.

Moderator: Thank you. The next question is from the line of Venkat from 3Sigma Financials. Please go ahead.

Venkat: Thanks for the opportunity. What I wanted to know is are we seeing a lot of competition in oncology, particularly in India market because from January to March we did not have so many COVID cases, so I just wanted to understand how is the oncology landscape in India?

Rajeev Nannapaneni: it is fairly comparative. I think from base business we got loss for two reasons. COVID is something I am talking about. COVID is not the only reason why the base business got affected. We have seen price competition. We have seen price control by the government. So there are multiple factors that are affecting, and you are absolutely right. It is just not COVID. There are other issues as well, but we are trying to overcome that with an increased set of launches and newer portfolios. I think that is how we are looking to address it okay.

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

Abdul Puranwala: Thank you for the opportunity. Sir could you throw some light on the performance of subsidiary especially Brazil and Canada? If I check the standalone versus consol on this I still feel that the subsidiary performance was not good in the quarter as well as for the full year?

Rajeev Nannapaneni: I think the subsidiaries have done well. Canada has done reasonably well so that is one of the reasons why our consol numbers look better than a standalone so that is very clear. Brazil operationally we are losing money, but I think at an EBITDA level I think we are doing okay and if you remove the R&D expense we are doing reasonably well. So overall I

think I am happy with how the subs are doing. As I have said in the past I think Canada and Brazil are the key markets in addition to the US and India, which are driving our earnings, so I think these markets are representing significant part of our turnover now. I think they are doing well, and I think the subs have represented nearly 25% to 30% of our profits this year so I think we are happy where we are. I think we are doing well. Thank you.

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

Kunal Randeria: Thanks for giving the opportunity. Rajeev for relatively new findings like Imbruvica or Altruist if your profits show higher than for your legacy products like Copaxone more like a 50:50 is that a fair understanding?

Rajeev Nannapaneni: Yes that is correct. The new ones are 50:50 that is correct.

Kunal Randeria: Right okay that is helpful and secondly if you could share some of your plans for new launches in India? Are you holding back some launches until things stabilize and when could you see those number of launches coming back?

Rajeev Nannapaneni: I think we have done good launches. We do not speak about every launch because it just becomes tedious to give even the smaller launches, updates on those launches. We plan to do about 10 to 12 launch a year. So we are doing well. I think we are very happy with how the portfolio is going. So specifically onco also has 30% to 40% of portfolio is aided in onco so we have had good launches. If you want an example of a product for example we were the first generic of Eltrombopag that we launched this quarter, so I think that has done reasonably well. Again that we got through by Novartis. We have a patent case against Novartis on this case. That also the judgment has been reserved. So we will see how that plays out. So that way we are launching interesting products. So I think we will see how it plays out.

Moderator: Thank you. The next question is from the line of Charulata Gaidhani from Dalal & Broacha Stock Broking. Please go ahead.

Charulata Gaidhani: My question pertains to in the second wave how much of financial benefit could that give for FY2022?

Rajeev Nannapaneni: The second wave, I think the earnings of June quarter will show some benefit of second wave for the portfolio that we have had so what we can say clearly is that the domestic has done much better this quarter because of the second wave so we will see the benefit of that in June quarter. How 2022 will pan out I do not know. I have no idea. We have to see how

the pandemic plays out in the next nine months. So that I cannot predict, but we have an interesting pipeline for this portfolio so we will see how it plays out. I think at this time it is premature to comment for the whole year. I can only comment for this particular quarter. Next question please.

Charulata Gaidhani: My other question is on Nexavar. Your JV they also have this product in their portfolio so how will it pan out?

Rajeev Nannapaneni: They have a portfolio for India from what I understand. It has been around for many years and what is your question? You are talking about the domestic brands in India, or you are talking about the US?

Charulata Gaidhani: No I am talking about US?

Rajeev Nannapaneni: US I am not aware. I cannot speak about what they are doing. I do not know. Honestly, I do not know. I am aware that they have a JV in India. That is all I know, but beyond I do not know what you are asking. From what I understand we have a segment with the innovator. We got approved within 13 months so we may get 180 days. I think that is what we know about the product. The launch date as I said we cannot speak about it, but closer to the launch we will speak about it and that is all I can say on that.

Moderator: Thank you. The next question is from the line of Kashyap Karthik from Triple Tree Capital Partners. Please go ahead.

Kashyap Karthik: Thank you so much for the opportunity. Sir a couple of things. One agro and one pharma. On the agro side, the interim judgment or interim observation that Delhi High Court has been adverse for us so in terms of final judgment do you expect some changes or one and two is because of the adverse judgment would we take a lot of write off from the CTPR portfolio?

Rajeev Nannapaneni: I do not agree with you my friend. I do not think it was an adverse judgment. What we have said is, the judge said that he does not want to give an order until the full hearing is completed. That is all the judges said. I do not necessarily agree with you. That is to answer your first part of your question. Let us wait for the judgment and good news or bad news we will hear in July. Then we can make a call. I am optimistic based on how the arguments pent up we have a good chance of winning, but again as I said we will wait for the judgment. Let us wait for the judgment in July. That is the first part of your question. Regarding the inventory yes, you are absolutely right. We have built up a large inventory for the launch of this product absolutely correct. We are preparing for the launch. If the

judgment goes against us then we will make an assessment. I think we will make that call I think once the judgment comes, but at this time I do not want to comment.

Kashyap Karthik: Got it and the second is from a Revlimid perspective we have done a launch so between Revlimid and Imbruvica is there any other big molecule that we are expecting to file or is it just going to be the next Everolimus over the next two to three years not in exact date other than the smaller molecules there is Revlimid? There is Imbruvica 2026 and Carpal 2027 is that the kind of sequence of blockbuster molecules?

Rajeev Nannapaneni: Those are there. From what I am understanding is do you have a super blockbuster type of product which will give you more than 50 million and 100 million type of offset. Is that what you are going to get. Be it Revlimid or Imbruvica because these are sold FTRs so everything else will look like a cousins, so I think it is unfair to compare two products like that, but you need to have a pipeline that churns out these interesting products. We are always working for ideas like this. Let us hope we will get another breakthrough, but I think that is all I can say. I think once we catch a breakthrough we will definitely speak about it.

Kashyap Karthik: Got it and Imbruvica is like a yearly product or is it like a Tamiflu that six months we will get tremendous amount of cash flows and then it becomes generic Rajeev or is it like Tamiflu or is it like Revlimid is what I am trying to get at?

Rajeev Nannapaneni: It is cancer product. If you have the 180s days then the period of 180 days obviously will do well, but post 180s days let us assume our generics were to come yes of course it will fall apart. It will be. When it happens obviously you will be very happy but let us see. I think the market formation is part of it. I think once we have clarity on the court judgment and settlements I think we can speak about that but as of now we have nothing. What I am only saying is we have a filing on this and there is a possibility that we could get 180 days, I think that is what we have articulated in the past. Let us hope something good happens. That is all I can say. But it is not seasonal. To your point it is not a seasonal drug. I think your question was that it will be one time. It depends on how the market formation happens. It is little premature to judge.

Moderator: Thank you. The next question is from the line of Ankush Agarwal from DPI Research. Please go ahead.

Ankush Agarwal: Thanks for taking my question. So apart from Revlimid you mentioned in the last con call that this we are looking at another product that you have not disclosed publicly because of some immunosuppression if you can highlight something on that if there is an update on that?

Rajeev Nannapaneni: I am sorry. I did not catch what you said. Can you repeat that.

Ankush Agarwal: In the last con call you have said that we have another interesting product that you have not publically revealed? You mentioned it is some immunosuppression if you can highlight something on that?

Rajeev Nannapaneni: That is Everolimus. Everolimus has two formulations my friend. So one is the oncology strength, and one is the immunosuppression strength right. The oncology strength is called Afinitor, and the immunosuppression product is called Zortress. What I said was Zortress is a good product because it has lesser competition and Afinitor even though it is a bigger product has more competition, so I think what I said many times in interaction with analysts and all this is a better product even though it is a smaller product because there is only one other generic in there.

Ankush Agarwal: Okay so Afinitor we have already launched few of the strengths right I think 2.5, 5 and 7.5?

Rajeev Nannapaneni: That is correct. We launched a lower strength; 10 mg is going to go generic soon. I think we will speak about that closer to the launch, but from my understanding that we have launched three and the other one is going to happen soon.

Ankush Agarwal: So it is expected in the same year calender year 2021?

Rajeev Nannapaneni: Sorry say that again.

Ankush Agarwal: It is expected in the same year as 2021 or it is at a later date?

Rajeev Nannapaneni: We do not know about the date because of confidentiality. We will speak about when closer to the launch date.

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

Jai Shah: Just one question on the Revlimid side. So do we have a sharing of 65:35 for Revlimid or was it 50:50 since it is an old settlement?

Rajeev Nannapaneni: I think it 30%, one third I think is what I know about it.

Jai Shah: Okay alright and just one more question. Do you think that pricing pressure would come in after the other generic players coming in FY2022 or would it come in after 2026?

Rajeev Nannapaneni: Let the market formation happen. I think we will speak about that I think once the market formation happens. At this time, I do not want to say anything.

Moderator: Thank you. The next question is from the line of Nikhil Upadhyay from Security Investment Managers. Please go ahead.

Nikhil Upadhyay: Good morning. Thanks for the opportunity. Two questions. One is on agro chem the product which are launching if you can just repeat the name and secondly is this patented products? Can it add something like a table annuity kind of a profile to our agro chem business?

Rajeev Nannapaneni: The product that we launched you are talking about the cotton product know.

Nikhil Upadhyay: Yes?

Rajeev Nannapaneni: It is a pheromone my friend. It is pheromone. The chemical name I am not able to recollect on the top of my head, but it is a pheromone which treats pink bollworm. So to the benefit of the participants it is a pheromone. It is something insect emits to attract the opposite pests to mate. So what this does is, this pheromone interferes with the mating so it is calling mating confusion and because it does not mate, they do not lay eggs. If they do not lay eggs they do not cause damage to the plant. I think that is what technology is. More details and all we can take it offline. I can have a word with IR services. You can speak about it.

Nikhil Upadhyay: Secondly on the domestic onco business I understand that what you mention is that the patients are like skeptical of coming to the hospitals and all but just if this could be pretty basic to explain but if I understand like a cancer patient would need his medicine on a regular basis and the chemo and all cannot be like postponed for a longer period of time so do you mean to say there are no new diagnosis which are happening as a result our portfolio is getting impacted because I would have thought that three months, four months they would wait but then eventually they will have to come to the hospital to get the treatment, get the medicines and the chemo whatever so just a pretty basic question?

Rajeev Nannapaneni: Sure absolutely. What you asked in absolutely correct. What they are doing is people take medicines. It is not that they are not taking medicines. They are not taking aggressive forms of therapy because they are concerned about COVID. In the hospitals what has happened a lot of resources have gone for COVID so other therapeutic segments the service levels have dropped dramatically so what the patients are doing is they are taking oral drugs other drugs, which do not require hospitalization. They are not taking the chemo portfolio as aggressively the way they used to. I will give an example because there is an impact on

earnings. Let us say you are doing for example you are doing Rs.10 Crores a month on this particular portfolio. Let us say there is a 30% drop in the chemo usage okay. So that you are removing Rs.3 Crores out of the business, so it is 3 x 3 months. It is about Rs.10 Crores impact that you are having, but this high impact because the profitability is very high right. So it straight away knocks of Rs.10 Crores to Rs.15 Crores of your EBITDA. Even though the impact is 30% because such a profitable piece of business that if you lose even 30% then whatever sale you are negating, you are negating your EBITDA straightway. I think that is why it is hitting hard compared to like a business where let us say the raw material cost is much higher. I think that is the challenge you are facing. That is why the earnings drop is very pronounced, even in the Tamiflu business because one you are getting a profit share of let us Rs.50 Crores to Rs.60 Crores but then it becomes Rs.5 Crores then straight it takes Rs.45 Crores off your EBITDA is it not. That is why we are getting hit hard and that is I think what we are trying to communicate. That is what is affecting our business okay.

Nikhil Upadhyay: Rajeev just to continue on this. Would it be right to say that our portfolio has a great mixture of hospitalization led products than an oral dosage which a patient can take directly? I am not talking on the profitability side. I am coming from the topline side because we were doing a run rate of 120 to 130 which has come down to 80, which means like from a Rs.500 Crores we have come down to Rs.320 Crores to Rs.300 Crore's kind of a topline?

Rajeev Nannapaneni: I will tell you. Let me answer that question. See that is an aberration because of that particular quarter. Again we had new COVID launches that has happened. So that number by service rate has an isolation. You cannot say that this is an annualized trend because it has multiple factors weighing on it. It has a COVID weighing on it. It has less hospitalization weighing on it and it does not consider the new launches that we have had so it is not a thing apples to apples comparison. I think that is a feeling I have. Does that make sense or not? I strongly believe domestic will rebound and I think you will see the benefit of that in the coming quarter and I think we have good launches lined up during the year and I think once the vaccination improves, I think even the domestic therapy will improve and even for example if we are trying to promote diabetes and cardiac product we are unable to promote because lot of doctors are not meeting. These are very unusual challenges that we are facing and I think as I said in the beginning of the conversation if we are doing COVID treatment products or drugs which are indirectly using COVID which are repurposed you are doing extremely well but the moment you are trying to meet doctors which are outside the realm of these products the sale has dropped dramatically because like for example derma sale has dropped very dramatically because there is not many people coming out or like ICU drugs have dropped dramatically especially with head trauma injuries or the inhalation products have dropped unless the inhalation products are used for COVID,

otherwise the portfolio has dropped dramatically because people are not going out and they are not picking up respiratory issues. So this is a very unusual times so when you say that this is a trend, this is what is happening and all you have to put things in a larger perspective because what is happening are very unusual set of events and just to summarize to look at the month of May 35% of the whole domestic market in my view was driven by COVID. I think to make a general statement about a business you need to have more settled scenarios, which we do not have at this time.

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

Samir Shah: Sir thank you for taking the question. One how many filings for US what will be the filing run rate for the next two to three years?

Rajeev Nannapaneni: We are targeting this year about 7 to 9 Samir. I think that is what we are targeting about three to four STF type of opportunities we are trying and about three to four in regular products, but about seven to eight is usually what we target a year, and we are looking like we are going to meet the target.

Samir Shah: Understood and second you know we are ahead in terms of Molnupiravir trials what we understand is that Dr Reddy's is doing it for the other licensees? Like you said there are multiple options, and all are open would we if we have inventory and we are unable to crack the license we will be able to supply to these other licensees or something or like what Sugan got the manufacturing without having the license so should we be concerned about the license or only the product approval?

Rajeev Nannapaneni: Let us take one step at a time Samir. Let the price do well then I will take up the other side. Once the market formation happens I think we will make those judgments on what to do on each of the issues that are raised. At this time, I have no comments.

Moderator: Thank you. The next question is from the line of Naitik Mody from OHM Portfolio Equi Research. Please go ahead.

Naitik Mody: Thanks for the opportunity. Sir my question is pertaining to Revlimid? In terms of how do you see the price erosion for this drug and your market share trajectory for this drug?

Rajeev Nannapaneni: I think the market share has been I think it is already in public domain. I think they are entering with single digit market share, so that answers your first part of your question. The erosion and all I do not want to say anything because this is all. I think the market is driven

by Tevas I think we will get more clarity on at the closer to market formation. I will speak about it closer to the launch. At this time, I do not want to say anything.

Naitik Mody: The profit sharing you said was 30% which is your share or the partner share?

Rajeev Nannapaneni: NATCO share.

Naitik Mody: Thank you Sir.

Moderator: Thank you. The next question is from the line of Rajat Sethia from Ithought Financial Consultant. Please go ahead.

Rajat Sethia: So lot of people have asked you in the past that how many players are entering in the Revlimid market? The question is that since it is a volume limited settlement for everyone and when volumes are guaranteed then why should this be a worry how many people really enter?

Rajeev Nannapaneni: My friend you are asking me something that I do not have an answer to. How a market plays out it all depends on how the market formation happens. If you ask me to say something that honestly I do not have any answer to that question. So the best answer I can give you is how much money we will make, and all only time will tell, and it is all completely dependent on market formation. I think we will reserve the judgment once closer to launch and then we will speak about it. Once we have clarity on how many people are coming you can speak about it, but at this time, I cannot answer that question. I am so sorry. Thank you.

Rajat Sethia: So you had in the past you have guided for a PAT of Rs.1200 Crores to almost Rs.1400 Crores in FY2022 which was dependant Revlimid approval and all? Now that we have gotten the approval why are we are not in a position to guide for the pattern this year?

Rajeev Nannapaneni: One is I do not want to guide anything because I do not know how much Tevas is going to stock in the market. So at this time I do not want to guide. Let us get clarity from Tevas and we will decide. Revlimid is going to drive the earnings. That is going to be the big one that drives the earnings and let us see how it actually plays out and we know that we are going to launch in March. I also said that it all depends on how much Revlimid we bill in this year and how much Revlimid we bill in the next financial year. It is linked with that. I think that is the most important thing that you need to keep in mind. When I said that I have also said that as well. I do not want to say how much I am going to bill in March and how much is billed in June and so on and so forth because I do not have answer to that question. If I was marketing the product myself I can control it and I can tell you this is what we are planning

and so on and so forth. Here I am dependant on someone else. That is why I want to be a little conservative and not say. What I can say is that we are launching, and we are going to be the first generic. That much I can tell you and it should be a good product. That is also I can tell you, but how much profit share we will get in which quarter and all, I do not want to say. I am so sorry. I cannot do it because I do not have an answer to that question because Teva is there. You can ask Teva this question. You will have clarity from Teva, and I think once market formation happens I think we can speak about it.

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

Vishal Manchanda: Good afternoon and thanks for the opportunity. Sir one clarification on the domestic branded sales is the Hep C business now completely out of the base?

Rajeev Nannapaneni: Could you say it again, business completely out of what I am sorry.

Vishal Manchanda: The Hep C business?

Rajeev Nannapaneni: I did not catch your question. Can you share it again?

Vishal Manchanda: Sir I wanted to check if there were any sales for Hep C products during the quarter?

Rajeev Nannapaneni: There is a moderate amount of sale my friend. It is not material enough to even talk about it. I think it is not large amount. It will be a number below Rs.10 Crores. I do not want to say what particular number because I do not know that number, but it is so small that I do not remember the number. It is not material enough.

Vishal Manchanda: Sir just one final one. On the pheromone spread in agro chemicals is there a ready market for it or you would have to build up the market and how each would that be if you have to build the market?

Rajeev Nannapaneni: Good question. We have to build the market. ATGC has done good amount of trial so at the field level there is some knowledge about this products, but we have to build the product. You are absolutely correct. We set up a separate field for pheromone and we are doing in the cotton growing state and I think what has made it, Rajesh can you just a speak a little bit about which states you are launching.

Rajesh Chebiyam: Vishal the initial focus we are targeting on four major states, which is Andhra, Telangana, MP, and Gujarat. The cotton itself is quite predominant in Maharashtra, Karnataka, and a

few other states as well, but we are going in a phased manner. As you rightly said now we have to build the market. It is a very innovative technology. Let us see how it goes.

Vishal Manchanda: Sir it will be a gradual ramp up, but it can be a very large opportunity over time?

Rajesh Chebiyam: Absolutely. If you take the total cotton market itself is a very significant opportunity but it is important how well we do it commercially this year. We have been running trials on this for the last two years.

Vishal Manchanda: Thanks a lot.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to Mr Anshuman Gupta for closing comments.

Anshuman Gupta: Thank you everybody for joining on this call. Thank you to the NATCO management as well. Bye everybody.

Moderator: Thank you. Ladies and gentlemen, on behalf of Investec Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.