"Natco Pharma Ltd Q2 FY23 Earnings Conference Call"

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MODERATOR: **MR. KUNAL RANDERIA – NUVAMA WEALTH**

Moderator: Ladies and gentlemen, good day and welcome to Natco Pharma Limited Q2 FY'23 Earnings Conference Call hosted by Nuvama Wealth. 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. Kunal Randeria from Nuvama Wealth. Thank you and over to you, sir.

Kunal Randeria: Thank you, Vivian, and good morning, everyone. On behalf of Nuvama Wealth, I welcome you all on Natco Pharma's Q2 FY'23 Earnings Call. With us, we have Natco Pharma senior management team represented by Mr. Rajeev Nannapaneni -- Director and Chief Executive Officer; and Mr. Rajesh Chebiyam -- Executive Vice President, Crop Health Sciences. Over to you Rajesh for opening remarks.

Rajesh Chebiyam: Thank you, Kunal. Good morning and welcome everyone to Natco's Conference Call Discussing our Earnings Results for the Second Quarter of FY'23.

During this call, we may be making certain forward-looking statements or statements about future events, and anything said on this call which reflects our outlook for the future must be reviewed in conjunction with the risks that the company faces. Like to state that the material do not accept for the participant question, is the property of Natco, cannot be recorded or rebroadcast without Natco's expressed written permission.

As always, we'll begin with the Results Highlight and then we'll follow up with an Interactive Q&A Session.

Hope, all of you have received our financials and the press release that was sent earlier yesterday. These are also available on our website.

To summarize, Natco had recorded consolidated total revenue of Rs.452.6 crores for the second quarter of FY'23 as against Rs.415.2 crores for the same period last year, reflecting approximately 9% growth. The net profit for the period on a consolidated basis was Rs.56.8 crores as against Rs.65.1 crores, same period last year. During this second quarter, the profit share associated with export of Lenalidomide product to the US was minimal, as was also communicated during our prior calls.

Pharma domestic business is beginning to show growth. And in our Crop Health Science Division, the CTPR associated products were launched, which we are excited about and expected to boost growth in the near future. The split in terms of revenue has already been shared. So, we can address those questions if you have.

Over to Q&A.

Moderator: Ladies and gentlemen, we will now begin the question-and-answer session. First question is from the line of Rashmi Sancheti from Dolat Capital. Kindly proceed.

Rashmi Sancheti: Sir, can you update on India business like, how many new product launches have you done so far? How is our oncology business ramping up now? And also about your cardiac and diabetology segments? And any price hikes we have taken and have you added any new product because we were also planning to do that for the second quarter?

Rajeev Nannapaneni: So, domestic is looking stable now. We launched about four brands in this Q2. And in terms of growth of the domestic, I think we're looking at multiple acquisitions and we have been able to find something, we're hoping to close a transaction in the next few months, these are various seriously multiple acquisitions, and this I think will drive the growth of the domestic business.

Rashmi Sancheti: Then how's your oncology business going on, do we see stability in that business or we are still seeing pricing pressure?

Rajeev Nannapaneni: There's not much pricing pressure. So, the oncology revenues are stable. We are having some good launches in oncology in the next few months. So, I think we see all these businesses growing. And I think that to get a big bump in domestic, I still feel we need an acquisition. I think the challenge that we have is, we only cover specialty doctors, we don't cover general physicians and larger segments of doctors. So, I think that's what I believe in either we do it through increase of field force, or we do it through an acquisition. I think that's what we're working very hard at.

Rashmi Sancheti: And my second question is related to the CTPR. In the current quarter, have we realized any sales or it is all **(Inaudible) 6.09** sales only in your agro breakup? And also if you can update, have we hired any new MRs for CTPR product or we are planning to add new MRs over there?

Rajeev Nannapaneni: I think on CTPR, we didn't have any sale at all. A lot of the sale will come in the coming quarters. We're very excited about the opportunity. I think in the near term that's going to drive the earnings, and we have stock and we have orders from the trade, and we're looking forward to the rabi season, which is coming up in the next two months, and also for the kharif we are fully geared up. And we are splitting this business up between two parts -- our own brand and also third-party support. In both places, we're getting very good traction. And I think we have a lot of people reaching out to us from the trade and from other B2B customers, other corporates. So, we believe we should do very well. And I'm very excited and I think you'll see a good bump in earnings in the next two quarters from CTPR, that will drive our base business in the next few quarters.

Moderator: The next question is from the line of Darshita from Antique. Kindly proceed.

Darshita: So, my question was regarding CTPR. I wanted to understand how are we scaling up this product, and what kind of revenue distribution do we expect from B2B and B2C, are we looking at 50% B2B and just from B2C? I wanted some idea from that. Secondly, I wanted to understand that are we placing a product at a discount to the current MNCs products that is available in the market? And how are we trying to sort of gain the market share from the MNCs who's already there in the market?

Rajeev Nannapaneni: In terms of discount, our discount is about 25% on the MRP, and then we're giving additional discounts to the trade to give incentive to stock our product and push our product. So, we're definitely far more profitable to sell than the competitor. In terms of the split Between B2C and B2B, I think way things are looking, unless the numbers comes I can't guarantee but I think 50% to 60% of the sale or even more will come from B2B and about 35% to 40% will come from B2C, I think that's the split. I'm expecting, again, until the numbers come, we can't say, but the majority will come from B2B. I think that's how that whole business works. I think people not only sell their own brand; they also give to other people for better reach. I think that's how the whole business works. So, that is my reading. And I just missed a question from the earlier lady. I think we are hiring reps actively now. I think we're gearing up for the rabi and the kharif season. I think we're in good shape. Again, I'm super-excited, and I think you'd see the benefit of our foray in the next few quarters.

Darshita: Any plans on starting export for the product or are we only going to first concentrate on the domestic market?

Rajeev Nannapaneni: Domestic is the one that's opening up first, I think domestic is going to drive the near-term earnings, but meanwhile our team is also working on some export registrations, that's also parallely ongoing. But that takes time because registrations take time outside India. But I think over a period of time, we will also see the benefit of time. But in the near term, it'll be driven by domestic cars.

Darshita: Could you give us a highlight who are your clients on the B2B end?

Rajeev Nannapaneni: It's a little unfair to answer that question, but I think you will see the benefit of the earnings and the partnership. I think we'll speak about it as we go along. But, as of now, I think we're negotiating with everyone. I think, premature to say that.

Darshita: So, the understanding is for CTPR currently, we will start working on the B2C opportunity first with the rabi season coming up, and then eventually, maybe in the second half of CY'23, we will have some revenue coming in from the B2B as well?

Rajeev Nannapaneni: No-no-no, we are working both of them parallely, at the same time, we will get benefit of B2C and B2B starting from the December quarter itself. It will scale up a bit in March, and it will peak in June,, because that's when the kharif is. You will see a very good growth slowly, but I think startups slowly in the December quarter, it will improve in the March quarter and it will peak in June quarter. I think that's my expectation.

Darshita: Like, are we expecting any kind of backlash coming in from the MNC any more or we're clear on that?

Rajeev Nannapaneni: I will just clarify the legal position and legal update. I think we won the single best order. And we've also announced that they have challenged this in front of the double bench. The order has been reserved. So, let's see how that goes. But we are very confident about our position. And we believe strongly that I think we have a good legal position and that we are not infringing. And I think the single judge order should be upheld by the double bench. I think that's our personal belief.

Moderator: The next question is from the line of Nitin Agarwal from DAM Capital. Kindly proceed.

Nitin Agarwal: Just sort of taking on CTPR again. Have there been any more generic lunches apart from yourself in the market so far?

Rajesh Chebiyam: I think from what I understand, a lot of people are working on it, I think I heard about three, four companies working on it, but the only one that I've seen in the market so far is Best Crop.

Nitin Agarwal: So, again, was the litigation position different than us?

Rajesh Chebiyam: I don't know exactly what their position is. From what I understand, what is available in the public domain is that they also launched and what I also understand their legal position in terms of the process patent has not been resolved yet by the single bench judge. I think they have launched it at risk and their legal position not resolved. I would believe our position is cleared by the single bench, so I think we are in a better position I would believe in that count, and we also believe that we have the inventory, as you all know, we have the materials, I think we're good to go, and I think it's still a limited competition product, so I think there's enough money for everyone. As I said, the strategy clearly is doing both B2B and B2C. So, we're hedging our bets. So, I think we're very excited.

Nitin Agarwal: Secondly, on US business. So, you've talked about how there was a very limited contribution from Lenalidomide this quarter. So, I guess effectively till the time next cycle starts, I think we're done with our contribution share of Lenalidomide. I think for Q3 also there's not much one should expect in this account?

Rajesh Chebiyam: I think so. Q3 will be primarily driven by the base business. So, I think there will be some improvement in the base business from this quarter hopefully because of the CTPR numbers. So, I think we should do better in Q3 than Q2, but the contribution from Lenalidomide will be minimal. So, that will not have an impact on the earnings. But you'll see the benefit of that possibly in Q4 when we get our fresh quantity and Q1 of next year. So, I think Q4 and Q1 will be like what we had in the previous Q4 and Q1. I think my sense is that I think these quarters will be extremely full and Q3 and Q2 will be a little mellow compared to Q4 and Q1. And because of our agro business, that also will complicate things a little bit because generally kharif and rabi is where most of the sale happens. So, our agro gets the sale from those seasons, will be primarily driving the sale, because we don't have much of an international business, we don't get a consistent revenue in all markets. So, in a way, Q4 and Q1 will be very exciting for two reasons. One is Lenalidomide, the second is Agro. I think that's how the earnings are going to be. There'll be a certain amount of seasonality, but I think all investors understand that. I think considering the nature of our business and the way we do things; I think you have to take a 12-month earnings.

Nitin Agarwal: When you look at this quarter, so effectively, whatever EBITDA that you generate, bulk of it is base business, recurring business, nothing, is that a fair assumption to make?

Rajesh Chebiyam: Absolutely, correct. This is actually a good example of a quarter where we had known practically very little on Lenalidomide and we had deferred shipment of Glatiramer. So, that's why the API sale was slightly lower. And I think everything was stripped off. Still, I think we had a very strong core business, which was what we got, and which is going to improve next quarter because of CTPR. So, I think, yes, that's a fair assumption. I think it's stripped off the big jackpots, yes.

Nitin Agarwal: When you look at the base business apart from the CTPR launch, what other things can one sort of look forward to over the next 12 to 18 months?

Rajesh Chebiyam: I think CTPR is going to drive the earnings for the next few months clearly, I think that's going to be the overwhelming one. In terms of other launches, I think we're very excited about subs are doing extremely well, Brazil and Southern Canada have done extremely well. Now, if we look at the consol numbers, almost 40% or 50% of profitability is coming from the subs. If you look at the differentiation between the standard and the subs, I think a good amount of earnings are coming from the subs. So, I think we should look forward for further growth in the Brazilian business and the Canada business. So, last quarter, if I recollect I think Canada was about 6.5 million and I think Brazil was a little less than 3 million. But I see these numbers improving dramatically in the next two quarters. So, this is about 9 to 10 million business, which should increase to 15 million I think in the next two quarters, that's our expectation. That's what we need to look forward for in addition to CTPR on the base business.

Moderator: The next question is from the line of Bino Pathiparampil from InCred Capital. Kindly proceed.

Bino Pathiparampil: Rajesh, just a quick question on generic pomalyst in the US. You had approval in 2020, but now the FDA website shows discontinued. What's the update on this product?

Rajesh Chebiyam: This has been approved and we have a launch date sometime in the future, two years from now. The exact date we can't reveal because of the confidentiality agreement. It's just that it's not an active ANDA, pre-clinical stage like that, but the launch will happen in due course and we have a settlement date in the future which I will -.

Bino Pathiparampil: So, the FDA website shows discontinued doesn't mean anything?

Rajesh Chebiyam: It doesn't mean anything, that's my understanding is, because we're not running the product, I think that's what happens. But, I can tell you from our position is that we have a full approval and we can launch it, and it is determined by the launch date, which is already signed and that's it. So, I think sometime in the future, we will launch it. The exact date we will reveal I think when it comes closer to the launch.

Moderator: Next question is from the line of Nikhil from SIMPL. Kindly proceed.

Nikhil: I have just three questions. Rajeev, one on CTPR. So, in the initial press releases, which we had said, the whole molecule size was Rs.2,000 crores. And in the recent press release, where we had launched a combination, it said it was Rs.800 crores. So, this Rs.2,000 is your CTPR and there is something more over the combination or Rs.2,000 crores includes everything, combination, pure, everything.

Rajesh Chebiyam: It's like this, Rs.2,000 crores is plain and Rs.800 crores is combination. So, two together, I think it will be less than Rs.3,000 crores. So, what happened was, we launched CTPR first, that's why we announced that first and we launched the combination later, so I think that's why we announced that later. But together it is little less than Rs.3,000 crores. I think that's our market estimate based on our market intelligence.

Nikhil: We have launched both pure as well as the combinations now?

Rajesh Chebiyam: That's absolutely correct.

Nikhil: Secondly, on the domestic part of the business, you mentioned that we are looking for acquisition. If you can just help us understand not on exact numbers, but what is the size or kind of acquisition you would be looking at? Our current domestic business is around Rs.400 crores. Would you look to see that with acquisition, we cross Rs.1,500 crores kind of a domestic business scale or would we look at smaller acquisition, maybe not exact numbers, but just some sense on how you are thinking?

Rajesh Chebiyam: We are looking at a smaller one right now, Nikhil. We just need to fill some gaps in our portfolio. We're looking at something around Rs.100-150 crores worth of sale at this time, those are the assets we're looking at, I think large. Rs.1,000 crores and all will become a very large acquisition. And am I ready for something like that? The answer at this time, no. I think we'll probably do a smaller one and we'll see how that goes. And I think as I said, we're actively looking at couple of transactions, hopefully, we'll able to close something almost with due diligence. So, I think that's the near term plan.

Nikhil: The subs you mentioned scale up, I think it would be a pretty significant scale up when if we say the subs would be doubling their revenue in the next few quarters. So, is it more driven by increased market share in the molecules we had launched or is it like some more new molecules which we will be launching, just some sense, what drives this?

Rajesh Chebiyam: We got some tender orders and some government orders in one particular sub, and also we have good launches in terms of new molecules. We launched, for example, Apixaban in Brazil, we launched Apixaban in Canada. So, driven by new launches and some one-time that have been driving. So, overall, the subs are doing well. As the other caller asked me about the base business, I think what has happened is, the subs have taken up the slack of the decline in the standalone. So, I think that's where we are getting a good traction. And I think in my view of the businesses also that we need to go global and add multiple territories in multiple countries with pipeline so that we globalize our business and bring about more stability in our earnings. I think we started this endeavor about three, four years ago. And I think a lot of the things that in terms of globalization that we've done and spreading the risk actually played out well subs are contributing. And also we've done one more launch in Australia. I think, just to give a flavor, huge launch of course, but again, it's the first wave generic from us and Sandos are the only generics which have launched Lenalidomide in Australia. So, we don't have front end presence in Australia. So, we did it through our partner. So, we're trying to globalize our business, use the filings that we do in as many countries as possible so that we get a better return on R&D. I think that's how this business is going to be.

Nikhil: On Revlimid, Australia, there was some issue with respect to the settlement agreement. So, what's the sense because we were quite –

Rajesh Chebiyam: It's all done. Both Pyrulitamide and Revlimid have success and we have a fixed launch date for both Pyrulitamide and Revlimid, Pyrulitamide has already been launched, Revlimid also will happen soon. We can't disclose the date because of confidentiality. But I think as soon as the launch happens, we will also disclose that as well once we are closer to the launch, it's all sorted.

Moderator: The next question is from the line of Cyndrella Carvalho from JM Financial. Kindly proceed.

Cyndrella Carvalho: Rajeev, if we look at the pure domestic business, how is the onco performing? If I look at the IQVIA number, we are seeing a much faster growth than what is reflected in our numbers. Where is the gap if you can highlight?

Rajesh Chebiyam: IQVIA numbers for Natco or IQVIA number for the industry you are saying?

Cyndrella Carvalho: Natco.

Rajesh Chebiyam: IQVIA and all are not a true representation of anything because the problem is them with capture the free goods properly. See, what happens in our business is, this ex and then there is bonus. So, we give higher bonus. Technically, your volumes are higher and it shows higher sale. That doesn't necessarily mean that you have higher revenue, right. So, that's why the difference between what you see in IQVIA and what you see in our actual stated numbers. What really matter is the numbers which we get, right, in terms of cash flow. I think generally IQVIA is not very accurate like the specialty business that we do. It's good for like more mark brand, it's not so good for the most specialty pharma.

Cyndrella Carvalho: On the onco side, how we are seeing the traction, are we seeing –?

Rajesh Chebiyam: Things are stable now. I think onco is doing reasonably well. If you look at my numbers, in this quarter, I think about Rs.55 crores was onco in terms of the sale. Onco has been fairly stable. We have a couple of good launches coming up by end of the year and one big launch, there is a court verdict pending on a product called Eltrombopag. Delhi high court has reserved the verdict on that. So, if that gets cleared up, then that will be a very good addition in domestic, and then there are a few other products that we are launching. Overall, exciting, good, but as I said, obviously, to get good growth in our business, we need to expand the scope of the doctors that we are covering. Because we cover limited specialty doctors, we are unable to grow and I think we need to get out of that, I think the only way we can do that is to buy either building ground up or you need to do an acquisition. In my mind, I believe an acquisition is what we need and then add R&D portfolio in the acquired domain of doctors and increase the sale, I think that's how you get.

Cyndrella Carvalho: Just on the subsidiary side like Pinda, Brazil, China and other Asian markets, how should we look at it from key launches perspective, anything that we should be looking at in terms of key launches that the subsidiary or the other EMs that you would like to highlight?

Rajesh Chebiyam: I think I mentioned about Apixaban launch in both the key markets, and I mentioned about Pyrulitamide launch in Australia. And again, the other gentleman asked me about Lenalidomide. So, that also the launch will happen and we will announce it when it happens. So, these are the major ones and we have other smaller products and a good set of filings that we have done. So, I think we are excited. I think we have a consistent pipeline coming through. I think we believe that we should grow these businesses.

Cyndrella Carvalho: That should be over 18 months timeframe or a little longer than that?

Rajesh Chebiyam: In the next few quarters, we'll announce as and when the launch is happened. Yes, I think that's what we have good traction in the subs.

Moderator: The next question is from the line of Harsh Bhatia from IDFC Mutual Fund. Kindly proceed.

Harsh Bhatia: You spoke a little bit about the size of the domestic assets that you're looking at. Just to clarify, would it be fair to assume that your existing base of MRs around 300 to 400, that would be enough to sort of help the acquisition or would you have to add more MRs?

Rajesh Chebiyam: We need to probably add more MRs for the segment we aspire. It depends on what acquisition will come through. See, where are we present? Let's answer that question first. So, we are present in oncology, we are present in gastro, and we're present in cardio again specialist cardio, not your general condition cardio, we are only present in these three segments primarily. So, we add let's say a brand again, we want to give too much away because nothing has come through. Unless you close an acquisition, I can't answer this question. So, if you buy outside these three segments, then you need to add reps. If you buy within these three segments, then you don't have to add reps. You're asking a very hypothetical question, but I think I'm very clear that either we enhance the strength of this portfolio or we add additional portfolio in terms of a therapeutic area so that we can expand our business depending on what we could close.

Harsh Bhatia: In terms of valuations, because we are seeing a pretty -?

Rajesh Chebiyam: When we do the deal, we will know. I think we will disclose it. These are all things that we can only talk about when we close the transaction. I think premature to say at this point of time.

Harsh Bhatia: Anything on the inventory side? In last quarter, we had almost Rs.100 crores of inventory. So, this quarter, we have some around –

Rajesh Chebiyam: In terms of standalone inventory, Rs.665 crores is the inventory in our books as of 30th September 2022, of which about Rs.110 crores is the agro inventory. So, I think it's a fairly reasonable amount of inventory we are carrying. I think we're good to go.

Harsh Bhatia: Includes raw material, intermediates and the finished product.

Rajesh Chebiyam: Finished products and all. And generally, supply chain has become very painful now post-COVID as you know, and I think what you could buy deliveries for three months, four months earlier, now it's a six to nine month cycle. So, if you want to plan a launch or something, you need to have a six-to-nine-month head start. So, I think because of that, I think the inventories have been a little bit on the higher side, but we are trying to do things we can reduce, but I think broadly that's the situation.

Moderator: The next question is from the line of Karthik Mehta from Klay Capital. Kindly proceed.

Karthik Mehta: Can you throw some color on how Revlimid market share or other launches will impact? Very specifically, the fact you mentioned that Q4, Q1 is when you and your partner would or at least you would be recording the sales and is it possible to have some color on when is the inventory reset in terms of increasing market share -- is it after six months at the start of the calendar year?

Rajeev Nannapaneni: I think we will get additional point, Karthik, as I said earnings of that will reflect in Q4 and Q1. I think we are ready with the product good to go.

Karthik Mehta: Every year, it will be in that Q4 open year '25 as per the settlement, is it fair to assume?

Rajesh Chebiyam: That's correct, because one year expansion is March 1st, cycle is around that. Like the others are booking in September because they launch in September, right. Everybody has a different cycle because of their launch date.

Karthik Mehta: So, just trying my luck here, is it safe to hazard a guess that everybody's reset clauses after 12-months or is it -?

Rajesh Chebiyam: I can speak about myself. Don't answer others. And I think based on what Teva has told us, this is what our information is. And other people you ask them.

Moderator: The next question is from the line of Ritika Agarwal from Value Quest. Kindly proceed.

Ritika Agarwal: My first question is on CTPR. What is the kind of market share pick up we expect in the next one, one and a half year? And secondly, what is the competition that we expect again in the similar kind of time period in CTPR?

Rajesh Chebiyam: I think we should take a good share. I think my view is that internally, we have been very conservative, I think 10% to 20% share at least we should get or even more if we're lucky, but I think that's the minimum we're targeting. And it's a very good product. So, I think we should get good traction. Competition-wise, my expectation is obviously Best Crop, we already mentioned, we are already there, and maybe another two people will join. We will have a limited number of suppliers, it will not have too many suppliers, but the market is so large, I think there's enough money for everyone with the scenarios at least for the next few quarters for sure. And we have a very good head start and have a very reasonable legal positions, I think we're in good shape. How much we will make? Again, time will tell. I don't want to hazard a guess. But when market formation happens, I think we will give you more insight. But if you ask me instinctively, the answer is that I think we should do well, I think that's our expectation.

Ritika Agarwal: Secondly, can you talk a little more about your pipeline in the US going ahead post-Revlimid?

Rajesh Chebiyam: Again, US is going to be a super competitive business... again, these are my personal views, I don't necessarily subscribe to general wisdom, but I still believe that we need to deliver at least three, four very large FTF type of products or complex generic type of products to be competitive in the US. The more common products you do, the more competitive it is, there's less value in that business. So, you need to have a mix of both. And I think our target internal I think I said this in the past, if we're able to deliver another three, four products like Revlimid in the next decade, I think your whole decade is set. So, I think we're working in that endeavor. We're primarily focusing on oncology, peptides and oligopeptides. We've done two other filings recently, and we believe both are interesting FTF products subject to confirmation of FTF position, I think we can speak about that. But I think the R&D focus is on that track, and I believe that we'll be able to deliver.

Ritika Agarwal: What's our cash balance currently?

Rajeev Nannapaneni: Cash, cash equivalents right now as of end of Q2 is about Rs.1,000 crores and borrowings about Rs.82 crores, of that Rs.50 crores of foreign bill discount associate.

Moderator: The next question is from the line of Tarun Shetty from Haitong Securities. Kindly proceed.

Tarun Shetty: Any update on **(Inaudible) 36.44**

Rajesh Chebiyam: We don't have an update on **(Inaudible) 36.45** at this time.

Moderator: The next question is from the line of Nikhil from SIMPL. Kindly proceed.

Nikhil: Just one follow up on the acquisition. Rajeev, what I'm trying to understand is that if we look at like a small acquisition of say Rs.100, 150 crores, what kind of a scale advantage or what we plan to achieve from such an acquisition out, because even at Rs.100, 150 crores considering the size of the domestic market or even our current size, it won't materially change the way the business profile is? I'm just trying to understand, what's the idea behind a small acquisition and even when we have a good cash balance, and we see cash only accruing for us?

Rajeev Nannapaneni: You're asking a very complex question. I'll split the question into two parts. What's the point of buying a smaller brand? I think the question is, you are buying a smaller brand, because you're getting access to a market that you're not present in. I can't give too much away, but let's say you're operating in a segment ABC, and you want to enter segment D, Rs.100 crores acquisition allows you to enter a segment D, which gives you access to the doctors, the stockists and the therapeutic segment. So, you build a business by brick-by-brick. You can't say that I buy a house in one shot. You either take an approach of buying a house, or you do it by brick-by-brick. This is approaching the brick method. So, you're getting that therapeutic segment that you're not there. I think that's how you build businesses, you add a country, you add a therapy or you add a product, that's how you have to do. So, to your specific question of what am I looking at? So, I answered it directly what I'm looking at this time. So, you asked a bigger philosophical question. Is Rajeev want Rs.400 crores going to Rs.500 crores will not make much difference, how do you take it to 1,000 or 2,000, which means that you need to do a very large acquisition, which is, let's say, which will double our revenues or something very substantial. Even that it is something that we are looking at, but at this time, you have to get the right asset, and these are not easy acquisitions to do, and they won't happen overnight. I believe there's something like that has to be done so that we can increase our scale. To answer the question, yes. Is it going to happen now and the next quarter? That's a bit much to us. But at a philosophical level, yes, I agree with you that because we have to build scale, and that's the only way you're going to compete in this business. And I think at some level, we have to do a very large acquisition, which would help build scale. Hopefully, we'll be able to speak about that over a period of time.

Moderator: The next question is from the line of Nitin Agarwal from DAM Capital. Kindly proceed.

Nitin Agarwal: Rajeev, on the filing that you mentioned in the US, by when do you get a sense about first-to-file status on these products?

Rajeev Nannapaneni: I don't know. Both of them we filed. I believe that we have an interesting position. So, first, you have to wait for the acceptance of the ANDA and then we'll know what is accepted, then we'll have clarity whether we have an FTF. Both of them are on same pipe. So, typically, acceptance and all takes about 60 to 90 days. So, we'll hear about it in the next few weeks hopefully if all goes well, assuming we end up with an FTF, I'm assuming we have a chance, but again, until you file and get the acceptance, you can't confirm that. But to answer your question, in the next 60 to 90 days.

Nitin Agarwal: If you probably answered it earlier, I missed it, but if you look through the US pipeline beyond FY'23, how many, "plus $10 million, $20 million launches" that you think broadly speaking that you are going to have over the next three, four years?

Rajesh Chebiyam: $10 million launch you are saying or $100 million launch you are saying?

Nitin Agarwal: $20 million plus launches?

Rajesh Chebiyam: In our pipeline you're saying already which we have filed?

Nitin Agarwal: Yes, ones that you already filed and which you can probably get approval over the next three to four years?

Rajesh Chebiyam: Yes, sure, I can run through the one. I think they are in our investor presentation. The 10, 15 million type of products I think you have Carfilzomib Kyprolis. We have first-to-file on one particular channel and we have a shade first-to-file on the biggest strength. Then you have Losanta, then we have Trabectedin then we have Idelalisib which is another one that we filed. So, these are like some of the ones that we have publicly disclosed and I think these will play out in the next few days.

Nitin Agarwal: Secondly, you talked about a significant delta in the subsidiaries. These are again, what, largely driven by Revlimid and Copaxone launches or something else drive the subsidiaries?

Rajesh Chebiyam: There is a different portfolio and different products. I think Revlimid is big in Canada as well. So, that's a significant one. Brazil is driven by a few other products; Everolimus and **(Inaudible) 42:33.** So, there are different products in different territories.

Nitin Agarwal: Lastly, on the agro bit, so barring the CTPR launch in India, if I get it right, you said you are also looking at exploring opportunities for exports on CTPR registrations in overseas markets? And how do we look at the agrochem piece beyond CTPR for India as well as overseas?

Rajesh Chebiyam: I think we need to build a reasonable size in domestic will CTPR and again we're also expecting reasonable orders from exports, plus, we have other product ideas, pipeline we have. We have about five to seven products, we have pipeline for agro business, which will play out in the next few months. But these filings will be done in the next few months. So, once we do the filing, I think we will update the market. So, we've not done the filing. That's why we're not talking about the pipeline. But to answer your question in short, we have other products similar to CTPR, which are interesting, which I believe will bring value.

Nitin Agarwal: And on these products, your strategy is again driven around figuring out loopholes, leveraging loopholes in the regulatory processes or litigation regulatory-driven opportunities even in the newer molecules?

Rajeev Nannapaneni: I think our strategy will be driven primarily by the science of the product where we are doing interesting product or driven by patent litigation, which is what our strength is in that area. Also, Nitin, like we are focusing also on molecules which are what we term as 93 applications, which are a little bit more unique first time, so which differentiates us than the common.

Nitin Agarwal: But Rajesh, we're not looking at partnerships here, just what probably most companies have been doing, we're looking at –

Rajesh Chebiyam: We are doing that. No, CTPR also we have said that. I think 50 to 60% revenue, we're getting from partnerships only, I think 35% to 40% is our brand. So, we are –

Nitin Agarwal: What I meant is from the innovators.

Rajesh Chebiyam: See, we just commenced in the path. I think generally we are a very aggressive generic company. When you're in a very aggressive generic company, you can't do innovator alliances, you can't have it both ways, you can't say that I will go up to your patent, but I will also supply product to you, it doesn't work like that. You have to choose one camp. My belief is we are an independent aggressive generic company. And I think you have to stick to your core strength. I think if you're doing innovator business, then you can't be aggressive on patent, you have to let go certain portfolio or you need to let go the whole concept of doing patent challenges. So, that's not the business we are in. And I think I'm very clear in my mind. I think we will go after anyone we believe that there's a patent weakness, and we believe that is evergreen. I think that's the business model we have chosen and we'll stick to that.

Moderator: The next question is from the line of Ahmed Madha from Unifi Capital. Kindly proceed.

Ahmed Madha: On CTPR, just one clarification. The double bench you said is this year. Is there a possibility of the innovator getting a stake, because we have planned sales in **(Inaudible) 46:03**, is that even a possibility?

Rajesh Chebiyam: I don't think so. Again, obviously, the hindsight hearing has happened, order has been reserved, I think we believe very strongly in our position and I believe I think it will have the single bench order will be upheld. I believe a legal update as soon as the double bench decide that.

Ahmed Madha: So, we will go ahead and start building inventory for the current season also?

Rajesh Chebiyam: I think that's the idea. I think we have enough stock for the next rabi and I think we're trying to build stock for kharif as well because this inventory won't be adequate, that's correct.

Moderator: The next question is from the line of Cyndrella Carvalho from JM Financial. Kindly proceed.

Cyndrella Carvalho: Just one question on the capital allocation. We understand the part from organic acquisition perspective. But, is there any other thought process that you carry apart from building the product basket in various geographies that also we have understood. But is there anything because that will be a significant cash flow coming to us in these coming two to three years?

Rajesh Chebiyam: Can you rephrase that question please?

Cyndrella Carvalho: I just want to understand what is the capital allocation plan -?

Rajesh Chebiyam: Capital allocation plan for the cash that's coming in the next few months, did I understand your question correctly? Okay. I think we'll do some dividend, about 20% 25% dividend we're doing, so that is anyway going to be done. And anyway we're doing some small level acquisitions, which will not be too much stress on the balance sheet, but however we can use that. But I think that's been the near term plan. And some of the cash flow that's coming through, we're also investing in R&D in capital and also doing interesting para-IVs. I think, broadly a little bit in dividend, little bit in accumulation of cash or keeping it for an acquisition and within R&D. I think that's more or less what's the plan.

Moderator: The next question is from the line of Darshita from Antique. Kindly proceed.

Darshita: I wanted to understand the manufacturing capacity we have currently for agro? And I suppose we will be manufacturing the technicals and then probably formulating the product as well or are we selling the technical directly in the market?

Rajesh Chebiyam: Primarily, we are manufacturing the technical and the formulation, both facilities are ready. So, this is a separate facility that we've built in Andhra Pradesh. So, it's running and it's good to go. What we will sell more and less and all, I think time will tell. Again, we're trying to close contracts depending on different customers have different needs. But I think as much as possible, we're trying to sell the formulation, but we'll see how it plays out.

Darshita: And what is the capacity for technical?

Rajesh Chebiyam: Capacity, to service the 20%, 25% market share, I think we're extremely comfortable. I think we have enough capacity both in the filling line and also on the technical side.

Darshita: So, this will be a dedicated plant or will it be an MPP, as you mentioned that we have another five to seven products in the pipeline, so will we be able to do –

Rajesh Chebiyam: We can do other products. It's a multi-product capability. But this is going to be the key product, this is the product that's going to drive the revenues.

Darshita: I just had one question on the Best Agro bit. Are we challenging them, because I suppose we have the 90 registration for the product, and we should be ideally given up of about three years from the central insecticide board. Are we challenging like Best Agro in terms of being able to sell that product in the market at all?

Rajesh Chebiyam: What do you mean by challenging? I don't understand.

Darshita: I mean, given that we have an NCE registration, how are they selling their products in the market, what kind of -?

Rajesh Chebiyam: We are challenging them means we are competing with them. I think that's how I look at a challenge.

Darshita: Challenging in terms of like from legal perspective?

Rajesh Chebiyam: Not with them. Our challenge is only with FMC, not with Best Crop.

Moderator: The next question is from the line of Narendra, an individual investor. Kindly proceed.

Narendra: I have two questions. One is, in the past, we talked about filings in China. So, are we pursuing them or stop doing that? Another question is on expenses front. Is there any one-off expenses in employee cost or other expenses?

Rajesh Chebiyam: To understand your first question, you said, are there any filings in China. We actually have multiple filings in China and we actually got one registration in China. I think we got registration for Oseltamivir Capsules in China. We didn't do so great in the tender. I think we got some small orders, but nothing large. China business is also interesting provided like every generic business, you have to be in the first wave with a unique product. It doesn't work in any market. That's the only USP that works. So, I think to answer your question, we are active in China, but through partnerships of course, and we have about five or six products that we're actively pursuing registrations, out of which one came through. So, your second question was on about salaries and other expenses? What was the question? I didn't understand your question.

Narendra: One-off expenses like only those expenses?

Rajesh Chebiyam: One-off expenses in this quarter? No.

Narendra: Will it be recurring?

Rajesh Chebiyam: In terms of employees, I think we already did the charges already, I think whatever for VRS employees a lot of the VRS was reflected in the previous quarters. This quarter doesn't reflect any VRS numbers. Other expenses and all, it depends on the product. Sometimes if we do an interesting filing, there could be a pop of 20, 30 crores in other expenses. But otherwise, nothing, this is the fairly normalized other expenses. But sometimes, yes, you could have a pop, if you're doing an allocation for a particular R&D project. But to say that, it happened based on the project. For this quarter, it doesn't have, that's the best way I can answer your question.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Rajesh Chebiyam: Guys, thank you for your questions and thanks for your time to interact with us and have a good day and bye-bye.

Rajeev Nannapaneni: Thank you, all.

Moderator: On behalf of Nuvama Wealth, that concludes this conference. Thank you for joining us. You may now disconnect your lines.