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June 3, 2022

Corporate Relationship Department	Manager – Listing
M/s. BSE Ltd.	M/s. National Stock Exchange of India Ltd
Dalal Street, Fort	“Exchange Plaza”, Bandra – Kurla Complex
Mumbai 400 001	Bandra (E) Mumbai 400 051
Scrip Code: **524816**	Scrip Code: **NATCOPHARM**

Dear Sir / Madam,

Sub: Transcript of earnings conference call held on May 31, 2022
Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015

We are herewith enclosing copy of the transcript of the Company's earnings conference call for Q4 FY22 held on May 31, 2022. This transcript is also uploaded on our website www.natcopharma.co.in.

This is for your information and records.

Thanking you

Yours faithfully
For NATCO Pharma Limited

Chekuri
Venkat
Ramesh

Digitally signed by Chekuri Venkat Ramesh
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Ch. Venkat Ramesh
Company Secretary &
Compliance Officer

Encl: as above

"Natco Pharma Limited Q4 FY22 Earnings Conference Call"

May 31, 2022

MANAGEMENT:	**MR. RAJEEV NANNAPANENI – DIRECTOR & CHIEF EXECUTIVE OFFICER, NATCO PHARMA LIMITED** **MR. RAJESH CHEBIYAM - EXECUTIVE VICE PRESIDENT, CROP HEALTH SCIENCES, NATCO PHARMA LIMITED**
MODERATOR:	**MR. KUNAL RANDERIA – EDELWEISS SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Natco Pharma Q4 FY22 Conference Call hosted by Edelweiss Securities 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. I now hand the conference over to Mr. Kunal Randeria from Edelweiss Securities Limited. Thank you and over to you, sir.

Kunal Randeria: Thank you Diksha and good morning everyone. On behalf of Edelweiss Securities, I welcome you all for Natco Pharma's Q4 FY22 Earnings Call. With us, we have Natco Pharma's senior management 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 in discussing our earnings results for the fourth quarter of FY22 and for the full year which ended March 31st, 2022. 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 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 the call with the results highlights and then followed by an interactive Q&A session. So we hope you all received the financials and the press release that was sent out earlier. These are also available on our website.

Briefly, The Natco has recorded consolidated total revenue of Rs. 2,043.8 crores for the year ended March 31st, 2022, as against Rs. 2,155.7 crores for the last year. The net profit for the period on a consolidated basis was Rs. 170 crores as against Rs. 442 crores last year. The reduction in the profit was primarily due to inventory value write-off and provision of receivables related to COVID products with inventory value write-off of approximately Rs. 232 crores and provisions of Rs. 46 crores towards estimated credit loss. Export business performed well during the quarter driven by Lenalidomide sales and profits.

For the fourth quarter, which ended 31st March 22, company recorded net revenue of Rs. 610.6 crores on a consolidated basis as against Rs. 359.7 crores during Q4 of last year. There was a loss for the fourth quarter period on a consolidated basis of Rs. 50.5 crores again primarily due to the inventory value write-off and provision of estimated credit losses as against in the prior year of Rs. 53 crores for the same quarter. Company is confident of strong business growth during the upcoming year led by export business of Lenalidomide and growth in other business segments. The revenue split has already been shared, so now we will open up for Q&A session and take the questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We take the first question from the line of Amey Chalke from Haitong Securities. Please go ahead.

Amey Chalke: I had two questions, first is on Revlimid, would it be possible for you to share how much months of sales have been recognized for Revlimid in Q2 and also after launching this product, what is your sense now on the price erosion side compared to the open market where there is no market share gap, if we compare with that the price erosion is on the higher side or it is on the lower side if then coming from that and also the last on the Revlimid, when we expect to launch the remaining two spends of Revlimid where we don't have exclusivity?

Rajeev Nannapaneni: I think in terms of Revlimid pricing, I had a conversation with Teva on this, I think Teve doesn't want to reveal the pricing strategy, so I will not give any comment on the pricing and the second question is on the amount of stock that we have sold, I think majority of the stock have not been sold, the exact percentage I am not able to recollect top of mind, but I think most of the stock will be sold in the next financial year. We have just started, it is only one month of launch, so I think I would say about 70% of the stock will be sold in the financial year 23, I think that is our estimation.

Amey Chalka: And when do you expect to launch the remaining two strength?

Rajeev Nannapaneni: The two strength will be I think my understanding is again, I stand to be corrected, I think my understanding is that Reddy's has First-to-File what is there in the public domain, so I think after Reddy's launch whenever they have.

Amey Chalka: And last question on the India business, of the remaining four business which we have, which has been substantially alluded over last 1 or 2 years, what has been the key issue you have oncology treatments where we used to have product portfolio, is treatment shifted from those products line to the newer products lines or have you lost market share in these products?

Rajeev Nannapaneni: I think as you know, our focus, oncology obviously represents a significant part of our revenue and I think growth in oncology has not been coming because of our high base and price erosion that we have seen in our portfolio and again we are not spread out in multiple segments, I think we have spread out little bit in gastro and little bit in cardio. Those segments have done well which specialists, so we have done reasonably well with specialists and this quarter you have seen a higher decline partly because we have taken a fair reversible on some of the COVID products and the best that we made on COVID has not worked and I think if you look at the money that we have made over the last few years and look at the write-off, more or less I think on a net basis, it has not really made any money, I think it has been a disaster, but it is what it is, I think business bet that we have made and that has not work. The domestic itself my sense is I think if you remove out the reversals and all that stuff, I think it is about Rs. 400 crores business give or take, I think that is how the base business is at. It is stable, I will not say it is growing or degrowing, I think these are all one-time entry that we had to make. What do I see for the future, I think our base business will grow and at this time I think our target is about 10 to 12% is what we want to grow in the next year. I think that is our expectation. The limitation that we have in domestic is obviously we don't have coverage outside the core specialty areas. So recently we started a division to cover the general physician and all, but that will take sometimes the uptake to happen or to I think as I said we had to look at an acquisition. So looking at that is well, but I think we have to find something. At this time, we don't have anything.

Moderator: Thank you. We take the next question from the line of Ahmed M. from Unifi Capital. Please go ahead.

Ahmed M.: My question was regarding the inventory write-off, also we would try to assume that whatever write-off we needed to take has been done in Q4 and there won't be anything remaining for next financial year?

Rajeev Nannapaneni: Ahmed, whatever write-off that is there, we have taken, I think we have taken for slow moving inventory and COVID primarily as the COVID being majority of it, but I think more or less we made an assessment of stock and we have done it. The only inventory, I will not use the word risk, but I think I have to use the word risk is on the agro inventory, so we have an agro inventory and supplier commitments of about Rs. 85 crores in that region, so as you know we have been sued on the process patent, I think that was completely unexpected, but we have to deal with it, so we believe that we are not infringing and so it is again the next date of hearings in July and the patent expires in August, the compound, so it is when we are looking to launch products. So if everything goes well with the court case and we get clarity on it, I think we can liquidate our stock, but also because the cross patent litigation, it actually interestingly presents a very interesting opportunity because I and too many people who are aggressively pursuing it and we win this case and get clarity on it, I think we will have an exclusive or the semi exclusive situation which actually will board well for our shareholders, but again we need to have clarity on where we are and I think that is a risk that you are running on the inventory over and above what is already stated to answer your question.

Ahmed M.: It is question on the OPEX, so should there is some erosion which is visible, so are we building onto the market share or what is your, any qualitative comments on OPEX, how does it look?

Rajeev Nannapaneni: Our capacity of market share is doing well; I don't remember what the number is. I think we are doing 40-50% is what I recollect, but I am able to recollect top of my head, I don't recollect, we have been stable and we are doing well, but overall as you know there has been, some of the market has moved to the orals, Dimethyl Fumarate and other orals that are there, so I think is a general reduction in the market, but overall, on the generic I think we are doing extremely well in the product.

Ahmed M: Sir, last question in the Revlimid, so there are two components, one in the inventory we transfer from our balance sheet to Teva's balance sheet and secondly to the profit share that will be approved to us, sir in the current quarter if the entire inventory which we are supposed to sell to Teva at cost or whatever pricing, is it accrued on our P&L?

Rajeev Nannapaneni: Yes, so basically we have already given them the stock in the December quarter, so that is already done, so what we have accrued in this quarter is only the profit share.

Ahmed M: So is it possible to share the amount?

Rajeev Nannapaneni: Teva doesn't want us to share, I think the Teva is very particular that they won't us to discuss anything about the pricing strategy and the profit share amount.

Moderator: Thank you. We take the next question from the line of Viraj Kacharia from Securities Investment Management. Please go ahead.

Viraj Kacharia: Just 2-3 questions, you said normalized sales in domestic business is around Rs. 400 crores, but the normalized sales in the rest of the business, how much would that be and related question is, we used to want a kind of quite healthy operating margin in the domestic business, say upwards of 20% to 25% how is that mode given the kind of price erosion competition which was seen in the domestic business in the last 1-2 years? So that is one, second is on the CTPR, the innovator has tied up with the Indian company for the contract manufacturing and (Inaudible) **12.59** and they are looking at this more of a $4 to $5 billion opportunity, so for us if there is kind of a profitable income how are we looking play this? Any update in our play you can give and third is, for the Revlimid part, if you can get earlier?

Rajeev Nannapaneni: I will try to answer you, don't ask me so many, I am losing track, so let me answer two questions at a time, so let me start with your CTPR question, what other people are doing and contract manufacturing and all, I think they are probably part of the global supply chain for the innovator and that is why they are getting upside. That is not my business. Our business is to challenge patents and to give affordable products. I think that is what we are looking at. The opportunity as we declared earlier is there, I think it is a very interesting opportunity because of the litigation and the patent line that is there, if you are able to clear the way I think it is a very interesting opportunity. I am very excited about the opportunity subject to how the court case goes; I think we can give clarity on how we are going to do with that part. That is answer to your first question. What was the very early question that you asked, if I could base business, or Revlimid, you asked about the base business, right, what did you ask?

Viraj Kacharia: Sir, on the base business, ex of domestic, what is the normalized run rate and in terms of the margin structure in the domestic business how would that….

Rajeev Nannapaneni: My margins are always good. I mean if you look at our rep yield, we have almost 8 to 10 lakh yield per man, I think we look at, we have one of the best in the industry. This is after hiring, actually our yield is even much higher is at almost 15 to 17 lakhs because we have hired to me-too division where we started covering that is the reason why the yield per man is reduced, so in terms of margins and all, I think it is very stable good business. The challenge with our Natco business has been that it has not grown and mean it is stuck and I think we are COVID which increased the domestic where we have touched nearly 500 this year, but if we remove the COVID products, I think it is around 400 or in that region. So that is the answer on the base business of domestic. Anything else you want to ask me?

Viraj Kacharia: Yes, the base business ex of domestic, what is the normalized run rate?

Rajeev Nannapaneni: I think I don't want to give away too much on Revlimid, I think I am trying to avoid that question, but I think we would look at the business this way. Our general PAT if there was no Revlimid, for example would have been about Rs. 50 to Rs. 60 crores and whatever we are getting addition on Revlimid is what we are getting and we have to remove, may be if you are doing some extra R&D then we can remove that out of the EBITDA, but that is how you should think of it. I think as core business that is about less than Rs. 300 crores I would say and then everything we get on that top is from there and remove if you lose some extra R&D or do some extra R&D spend because of the cash flow, that is how you want to think of that.

Viraj Kacharia: Last if I can squeeze in, if I can want Revlimid, if you can reiterate what is the profit share, is it like 50% or one third?

Rajeev Nannapaneni: It is one third, as I think is 30% if I remember, yes 30% is what it is.

Moderator: Thank you. We take the next question from the line of Kunal Dhamesha from Macquarie Capital. Please go ahead.

Kunal Dhamesha: Just on the Revlimid, why would it be the case that the inventory would not be moving very fast because it is REMS program is of innovator and he has been able to control the generic movement, is that the way to understand?

Rajeev Nannapaneni: Is you question why didn't sell more than what is sold, is that is the question if I am assuming?

Kunal Dhamesha: Yes, we didn't sell, the entire?

Rajeev Nannapaneni: We didn't sell, I think we are going to sell good portion in the Q1 of this year and there will be some portion in Q2 and Q3. It is just that it is launched and we have to set up the REMS because there are new products and we take a little bit of time and we only had one month of launch, so it just takes, they sold to some, but I think majority of it will be sold through in the next financial year. I am not concerned about it. I think we are very comfortable that we are able to liquidate the stock.

Kunal Dhamesha: And in that case, let us say, if the second round of generic entry happen, will we have to take the shelf-stock adjustment in that case?

Rajeev Nannapaneni: Not that I am aware of, I think will sell through the stock for the other generics for coming. I am not worried about that, I don't see a challenge on that and in fact when the second order generics come in, we will also get a higher share than what we have, so we will have a higher quantity, so we will also do well and I think it is a staggered entry for everyone, so I think this will hold on for some time. So I am very confident that this will be recurring and it will be stable revenue that we will get in the next few years.

Kunal Dhamesha: And the rents part you said, Teva is setting up it on its own or we are using the innovator's REMS program?

Rajeev Nannapaneni: I think we are using innovator's REMS but it is just setting up reimbursement and all, there is some logistical issues at the launch time, but I think we have done well. I am not worried about our selling stock. I think we are very comfortable we will be able to stock.

Moderator: Thank you. We take the next question from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Rajeev, two things, one is on Revlimid, you obviously get an annual allocation of your volumes, so is it fair to assume that for us the recognition is going to be evenly spaced out through the quarters for the year or there is some lumpiness in the way we recognize revenues through the year?

Rajeev Nannapaneni: I think I can't speak about future quarters I can only speak about what I feel will happen in few weeks, so I think we have recollected some portion, I think we will recognize a good portion in Q1 of 23 and then we will taper off a little bit in Q2 and Q3 and again Q4 I think we will get the new allocation, so I think the earnings will bump up in Q4, so that is what my estimation and again, we will see how it plays out and all and I think we will discuss with Teva and try to understand what will happen, but if you want to make an expectation, I think that is what I feel will happen, but we will see how it plays out.

Nitin Agarwal: And the new allocation happens in Feb of every year?

Rajeev Nannapaneni: It is the annual increase, every annual is my understanding, I think that is what our understanding is.

Nitin Agarwal: And secondly, outside of Revlimid, what are your own focus areas for the business for the next 2 years?

Rajeev Nannapaneni: I think I will look at the positive, I think all the subs are doing very well, I think Brazil is turned profitable, Canada is doing extremely well, we got very good market share in Canada on Revlimid. I think I would say the IMS numbers are not out, but I think what my sales people are saying, I think we got on the 40-50% market share in Canada, so we have done extremely well in Canada, so all that is reflecting in the numbers and the domestic is stable and I think in terms of for us to do well in our sales business, I think there are 2-3 things need to happen, I think one is our domestic has to improve and I think we have to look at doing couple of strategic initiatives, two our agro clarity has to come which hopefully we will get the clarity in the next 2 months because August is the impending launch subject to the court clearance, so I think that is probably two immediate term things to look forward to, but overall I think our objective is to build up broad-based multi-country generic business. I think we are present right now on Brazil, Canada and India and US and US also we have a front end now, so these four markets will be core rivals of our earnings and I think the smaller countries we are present in Philippines and Singapore. So overall I think we are very excited and we have some very good filings this year I think just articulate what filings we have had. We have 3 FTFs this year. One of them is Semaglutide and other one is Acalabrutinib, both have multiple pilots, so that is on those two products and we have another filing, I think for Idealisib so there it looks like there we are only FTF, so I think we are looking good and I think our idea is that we are able to build a pipeline which can sustain over the next 7 to 10 years.

Moderator: Thank you. We take the next question from the line of Rahul Veera from Abakkus. Please go ahead.

Rahul Veera: Just wanted to know what is this Rs. 46 crores of ECL losses that we have moved this year?

Rajeev Nannapaneni: I think out of 46, I think we have general business credit loss, provision we have made and we had one particular receivable to one of the state governments that we did COVID supplies which have not come and is almost one year it was approaching, I think and then we made decision and we should make provision against that. We are hoping that we will be able to recover the money, but as prudent accounting, I think we have made a provision.

Moderator: Thank you. We take the next question from the line of Ankush Agrawal from Surge Capital. Please go ahead.

Ankush Agrawal: Firstly, based on some of the comments that you mentioned on the Revlimid, so just wanted some clarification, so what you said that we transfer our quantity to Teva in December quarter and whatever what Teva has bought in Q4 is just the profit share and that would continue in Q1, Q2 and Q3 and then again in Q4 we will get another higher allocation based on whatever is there and then cycle would repeat over the year, is that the right understanding?

Rajeev Nannapaneni: That is correct, yes, absolutely.

Ankush Agrawal: And for the Q1, you mentioned the comment that about 70-80% are still less to be sold and March we have sold is around 20-30%?

Rajeev Nannapaneni: About that I think that is fine, yes.

Ankush Agrawal: So what has led to the primary just the profit share, got it, now based on this we will probably get a lot of cash flows on this Revlimid approximately over the years, so would it be a fair understanding that the last quarter this cash flows will be used to build the base business or we would try to capture some another bigger opportunities that you might have in mind?

Rajeev Nannapaneni: In near term, I think the way we are looking at this is we are gaining good amount of money and I think that way cash flows are semi-comfortable I think I am very happy where things are going. Right now, I think we are doing the low-hanging fruit, which is spending on R&D, so I think our expenses have increased slightly because with the buffer with the cashflow we are investing in more interesting R&D ideas, more bold ideas. See, you know this is going to be there for the next few years and I think we are something like, see there are the smaller ones which are like 5 million, 10 million, type of opportunities and then you have the 100 million, 200 million type of opportunities. The idea here is that you build about I think few minutes ago I spoke about three first-to-files obviously are smaller opportunities, but we need to build one big one and I think going forward in the next 10 years, I think at least our visibility for 5 to 6 years where we have big jackpots we need to fill, at least I want pull off another 2-3 Revlimid if all goes well, so I think that is where we want to spend our money on in the near term and I think I will take from there. Regarding the acquisition, we are looking at it, but my sense is that, again I suggest myself to again look at what yields are available, we are looking at both domestic and export and I think we are very clear that we want to do one larger acquisition which will strengthen the base business. I think that is probably we are looking at and place into the strategic interest of the company. What that acquisition is, when we will do it, I don't know, I think we don't have clarity, but I think we have the money, so I think we will obviously do it and I think we have to find the right asset. We have time I think hopefully in few months….

Ankush Agrawal: So basically, what we are saying is, the base business would be build primarily on the inorganic activation and not organically?

Rajeev Nannapaneni: Organic we are doing what we can do in the organic.

Ankush Agrawal: But on the smaller price whatever we are doing like in terms of (Inaudible) **26.30** but the larger, for example, we have acquired US frontend as well sometime back…

Rajeev Nannapaneni: These are all most obvious contract; we do all work in the US and it makes sense to buy the frontend then we can plug in and launch our own products. The thing you need to understand overall generic business and I think if you look at most generic businesses are not growing. It is extremely competitive and the only way you can do something disruptive as you need to buy, otherwise you are not going to get growth and this is the elephant in a room, so my sense that we will find that. So to answer your question specifically on what you want to do with the cash, I will say two things, one is spend on R&D, two is look for an acquisition.

Moderator: Thank you. We take the next question from the line of Sandeep from East Lane Capital. Please go ahead.

Sandeep: Rajeev, couple of questions, first is, if you could just talk broadly on the Revlimid market formation, there are 10 players, but each one has a staggered entry, so this opportunity should be with you till FY25-26, would that be a correct understanding and related to that is the range of outcomes because of the price discounting can be various outcomes, can the range of outcome of cash flow for you over these 3-3.5 years be very wide depending on the discounts, just broadly if you can just put the framework for us?

Rajeev Nannapaneni: I think that is my understanding Sandeep. I think everybody is coming in a staggered way and I think there should be a meaningful amount of money that we are going to make over the next 3-4 years depending on how people enter that is my understanding that is absolutely correct and the erosion and all it is hard to speculate, I think it will be very premature to talk about how market will form over the new few years, I think we should have to see, but my sense is that I think we should do well in the next few years. That is all I can say at this time.

Sandeep: The reason I asked is that if there is limited entry for everybody, what is the incentive to discount massively and kill the whole market?

Rajeev Nannapaneni: I think we will have meaningful money, that is the best way I can answer that question.

Sandeep: The second question is on Copaxone, what is this latest process that issue which has risen on Mylan and yourself, how damaging could it be or what is exactly going on?

Rajeev Nannapaneni: I think it is very premature to say anything at this time we believe it is a frivolous law suit and I think, anyway, it is the legal matter, so we will be unfair me to say anything or try to say I think we believe it is the frivolous case and I think as you know we have been in the market for more than 5-6 years and I think the patents are getting sued I think of 2009 or 2010, but as you are aware we have been making Glatiramer much before that and unlike (Inaudible) **29.29** Mylan was also much before that and we already saw it is all in public domain that is what I am saying I believe it frivolous buy I think we have to deal with what we have to deal with.

Sandeep: And lastly if you could just comment on Afinitor, how big an opportunity can that be, already in the market or how to think about that opportunity for Natco?

Rajeev Nannapaneni: Afinitor is doing very well for us Sandeep, I think I am very happy with how Afinitor is doing, so I think Afinitor is what is driving our export big on our base business. In our base business, I think Afinitor, probably the presence is almost 30% of our sale, so I think it is doing extremely well and we are very happy with how things, I think we have a generic in US, we have a generic in Brazil, we had a sole generic in Brazil which is very good situation and US also I think we are doing well, we have reasonable market share. We are expecting approval in Canada on this product. So we have done very well on this product, so I think we are very happy about it.

Moderator: Thank you. We take the next question from the line of Tarang Agrawal from Old Bridge Capital. Please go ahead.

Tarang Agrawal: Just to circle back to the earlier participant's question, given that Glatiramer has been in the market for the time that it has been, what possible outcome would you believe that the plaintiff is looking at to come up with a suite at this point of time, it is just a little confused when this came up?

Rajeev Nannapaneni: I am also confused, so I don't want to speculate there. I think we will stick to what you have said earlier. I think we believe it is privilege and I think in any way we have to deal to it, so we will leave it.

Tarang Agrawal: Generally, I mean the way this business is formed, what I understand is the legal intricacies, the outcome of it is actually with the marketing partner and in a lot of ways, you are hedged, so would that be the right way to look at this as well?

Rajeev Nannapaneni: At this time it is premature to talk about, obviously Mylan will handle, we had to still handle legal aspect of it and I don't want to speculate this time. I think I don't want to speculate this time; things will progress and I think we will give you more clarity on where we are.

Tarang Agrawal: Just coming onto Dash what kind of investments are you looking at to build this business or to carry it on from where you have picked it up from and typically it is a generic fund end now, so this business would generally not require any field force, so really what is the value that this front end gets because one would understand having a front end where you have to go out and meet prescribers and get prescriptions, but just wanted to understand the value of this and kind of investments that this would entail?

Rajeev Nannapaneni: Sure, I think we have the para IV pipeline, so all the Para IV pipeline that Natco is making will be flowed through that**,** I think that is what we are trying to do, so that investment is ongoing and that investment is reflected in the Natco standalone balance sheet. Regarding that I think at this time we brought in and I think operationally we are losing money that is the major part we are losing money, so I think in the quarter, I think we lost this March quarter, we lost 4, 5, 6 crores, so I think that belief that we are having on the pickup. The idea is that I think we are going to have some launches from our India pipeline that we are looking to launch. Hopefully, in the next 1-1.5 years, we will able to breakeven. See at a strategic level, I think US is going through a very hard time, nobody is making money in the US, so the idea now is that just to keep it, take this business from let us say we acquired business, 17-18 million business, take this business to about 30-35 million, keep it stable and wait for one of our jackpots to come and launch those jackpots through this entity, I think that is what we are looking at. Don't take a 1 year, 2 years we own this business, I think we are taking at 7 to 8 years we own this business and lot of this Para IV we have and that is all from the provision in the next 6-7 years and here we have received 100% later onwards and I think that is the value proposition of the asset, but in the near term, it is not going to go dramatically I think we just want to set the house in order and make sure that we are not losing money and get Natco name out in the market and have reasonable basket, so we have the relationship with the customers and as you said, if that requires so much expenses in terms of marketing, it is a straight forward set up. You're absolutely right.

Moderator: Thank you. We take the next question from the line of Nikhil Upadhyay from Securities Investment Management. Please go ahead.

Nikhil Upadhyay: Three questions, one is, just to understand this profit sharing which we have booked, that could only be booked when there is extra thing which we have done, right?

Rajeev Nannapaneni: That is correct, absolutely correct, yes.

Nikhil Upadhyay: So in this there is no product skill this quarter? This quarter revenue when the 465 there is no product which is completely only profit share?

Rajeev Nannapaneni: Yes, that is correct.

Nikhil Upadhyay: And secondly, on Revlimid Canada, I think you have given a good idea and we have been in the market for now like almost 4-5 months, how are you looking at this opportunity in terms of sustainability and can it be materially different from what we had anticipated and continues to Revlimid, on Revlimid Australia we were looking at an opportunity and I think we had filed for a settlement there as well, but what I understand that settlement was turned down, so are you still looking at Revlimid Australia launch, how is the status there?

Rajeev Nannapaneni: We will start with Canada; I think Canada is our own front and we are doing extremely well and as I said we have very good market share and that is helping to contribute to our consol subs and it is one of the most profitable subsidiary we have. Regarding Australia, I think we are working with our partner Juno, so we don't have direct presence in Australia, so they are handling the regulatory aspect of things. So we have approval for both Pomalidamide and Lenalidamide in Australia, so we are looking to launch. Regarding the settlement and all, I think it is too premature to say anything, we are working on it, I think we will clarify once we have clarity on this.

Nikhil Upadhyay: Just one thing Rejeev, this profit share like whatever calculations I put in my models I think this profit share looks too high, so if we consider a 30% share and what I get is like even the regular export business has grown sequentially, so would that be a right conclusion that sequentially adjusting for that Rs. 100 crores which we got in Q3 if I adjust and look at the numbers it looks like regular business of Afinitor, Copaxone and all has actually grown, would that be right?

Rajeev Nannapaneni: Those businesses have also grown, yes absolutely. I think at this state, again we don't give too much strategy, I think you can make your own conclusions, like I can't answer the question directly the way you won't want, but I think the base business is dull about in that Rs. 50 to Rs. 60 hard range and everything else on the top is what we are getting from here and I think we are recognizing revenue based on how things go, so I think that is how you want.

Moderator: Thank you. We take the next question from the line of Sameer Shah from ValueQuest. Please go ahead.

Sameer Shah: Just one question, what composed this trade receivables as well as inventory, still it seems to be a little high?

Rajeev Nannapaneni: I think it is high and I think what we have decided is my personal view is this, I think we look at our inventory, I think lot of it was COVID and we had other nonmoving inventories, I think our point was just take the write-off and just go forward and I think there is no point carrying on hanging on to these things. So I think that is why we took a call of writing everything off and it was a very conservative view. Again, I am not saying that all the stock will be, it is not really zero, you can always write it back, but I just thought whether just to remove the hangover of the COVID inventory and then just go forward and I said we have ascertained, but this is the risk and we removed it and I think the other gentlemen asked me about what other risks we had and when we also articulate that we have risks, so going into the next year, I only wanted to carry the agro risks, I don't want to carry anything else and the inventory. I think as far as to bring clarity for the investors, I think we thought just clean it up and just go forward.

Sameer Shah: My question is this inventory, say last year was Rs. 800 crores, it is still Rs. 760 crores, receivables have gone up from 400 to 600, so in fact even after writing off, the absolute number is still very high on the balance sheet?

Rajeev Nannapaneni: I think basically two things, the cash flow has come through as you know some of the trade receivable, good portion of it has already come through, so there is no issue there. In terms of inventory and all, what we have done, ours is a very unique business, all the inventory that you see, I think remove the agro portion where you are not having much revenue, so the inventory is fairly normal and also if you look at our business, it is a very niche limited business and we are the only one who will say very clearly I can say I have no issues dealing with the future 12 months, I have no issues in terms of inventory costs, I have no issue in terms of logistics, because we keep all our key products, we keep 8 to 12 months of inventory post COVID that we have done and I think we are able to service the demand on lot of our products very comfortably we have planned everything 8-12 months ahead, so the margin that we make is much higher, I think that is what we have done. Probably, I will be only going to give guidance saying that I am not worried about what is going to happen in next 12 months in terms of supply chain challenges or China COVID issues and all that. I think we have covered everything and I think that way also we have the profit of the year in all our products, I think we have always planned ahead and the reason we do that always because of the return that we make because we don't make 20%-30% return, I think when I hope whether we end up with 10%-15% return is again it is a market formation, but when we target, we target to jackpots and I think that is the reason why our inventory is always little high, but again we are also trying to be more prudent and try to bring down the inventory position, I think, so that we are more in line with the inventory, but definitely a little bit higher than what that data is.

Sameer Shah: And in the next 12 months, what investments are planned, either people or CAPEX or anything, any kind of?

Rajeev Nannapaneni: CAPEX and all, not required, we have a very comfortable. We have enough capacity and we have lot of capacity for domestic, we have lot of capacity for regulated market, we have two plants for US, so that way there is no developed capacity. I think what we want to invest other side earlier was little bit in R&D just to enhance the pipeline because we are having extra cash and look on acquisitions, but otherwise nothing else.

Moderator: Thank you. We take the next question from the line of Danesh Mistry from Investor First Advisors. Please go ahead.

Danesh Mistry: I had just two questions, the first is that Rajeev you talked about some time ago that are we looking in the domestic business going at 10-12%^so is that essentially just, so do you feel that the pricing pressure is done in the domestic onco piece and now some of it will be also driven by our gastro and cardio business that is question number one? And question number two is that on the agrochem you mentioned that the roll off of the patent base in July, so I understand there is a court case, but if the patents rolling off from a very common man kind of perspective, do we still need to wait for a court order to go ahead and launch with our product?

Rajeev Nannapaneni: I did answer your question on CTPR, I think certainly, just to give you a perspective, so basically what has happened is we got sued for the compound product, we have argued that the compound partner is not valid, we couldn't win that decision, so essentially what the court said was that you can't launch the product still August of 2022, so that was what the decision was, but if you also understand CTPR has multiple patents and so among the multiple patent there is another particular patent which expires in 2025 and we have processed, innovator has been aware and our process patent has been in public domain all these years if I remember correct, I think our process patent has been in the public domain for last 3 years, it has been published. We find it very surprising that it is litigating us exactly two months before launch on the process patent, but obviously I think it (Inaudible) **44.51** later, I think again I don't want to judge why he is doing it, but I think it is unfair, our process patent has been around all along. He is aware of the fact that we want to launch this product in 22, I think he has been aware of it for 3 years, I think we have been crying over it every day saying that we want to launch this product, so he is aware of it. So we will see I think and we also believe that our process patent is non-infringing, but again the court has to accept it, so let us wait, I think the next date of hearing is in July, let us see how it plays out and I think once we get clarity in the court decision, I think we can look at it and as I said few minutes ago, it is still an opportunity, if you are able to clear the way I would believe we will be in the first wave, everybody assume that there will be multiple generics in August. Now, because of the amount of litigation that that FMC is doing, it is very clear that there will be only limited competition and we are probably one of the most forefront litigator in trying to clear the way. I think it is a very interesting opportunity. I think once we get clarity I think we would see that it will be a very interesting opportunity and not far away we will hear what is planned for the next 2 months and this is what we do. We look for jackpot opportunities and go after that and there will be uncertainty always, I will not, I never will shy away from saying that, but this is what we do, but when we deliver, we deliver big. I think that is how we look at.

Danesh Mistry: And the domestic one, the domestic piece?

Rajeev Nannapaneni: The domestic piece I said 400, I am talking about the base domestic, it is a human formulation, I am not talking about agro, I think we are not mixing them up. Agro is driven by this particular product.

Moderator: Thank you. We take the next question from the line of Rajath B from iThought. Please go ahead.

Rajath B: Sir, you mentioned that our base business is back at Rs. 50 to Rs. 60 crores, so if we look at our annual PBT this year adjusting for the write-off, we did somewhere around Rs. 500 crores, so I am little confused what is the base business profits here in that?

Rajeev Nannapaneni: I already answered that question.

Rajath B: I think I did not understand out of this Rs. 500 crores of PBT in this year, how much is the base business?

Rajeev Nannapaneni: I already answered your question, I said Rs. 50 to Rs. 60 is the best business for quarter, I think that is what we need to look at.

Rajath B: Per quarter is what you are saying, understood and sir, second question is around Revlimid, have we been able to take the maximum permissible market share in the one month of sales that we did?

Rajeev Nannapaneni: I have answered that answer too, I think we have started off, I think most of the stock will be sold in this financial year.

Rajath B: So basically whatever volume limits that we have to operate on an annual basis, it can happen that in some of the quarter we can sell less volumes and in some of the quarters we can sell more, so that on an annual basis, it comes to that limit that we have?

Rajeev Nannapaneni: Absolutely correct. I think one of the gentlemen asked that I think good quantity will be sold be in Q1 and there will be some quantity in Q2 and Q3, again Q4 will be better.

Moderator: Thank you. We take the next question from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Rajeev, on the few products this year, these are again partnered out or now this is in this case you have chosen to keep them on your own front end?

Rajeev Nannapaneni: Of the three that I have said, so one was Semaglutide, Semaglutide we have partnered out and the other two, Acalabrutinib and **_49.50__** we kept for ourselves.

Nitin Agarwal: And secondly on the India business, so for now, our primary bulk of our sales are essentially coming from oncology, how are the other, has there been any positive movement on the cardiac, diabetes pieces here and how do you, what opportunity do you see in next year for this?

Rajeev Nannapaneni: I think we are doing well Nitin, I think we had a very good brand of Apixaban, so I think we have done well, Apixaban is doing extremely well, I think we have a run rate of about Rs. 2.5-Rs. 3 crores of quarter on the secondary, so the brand has done well, this is probably one of the bigger achievements, so this is the generic version of Eliquis, so it has been one, so we have some new ideas. I think we are launching some more products in the next (Inaudible) **50.40**. I believe it will be stable good business, but again I also said that we need to expand our portfolio, I think we don't have that benefit of doing a large multi-portfolio, diversified portfolio like other bigger players, but I will be working on it. I think as I said, we have to look at on acquisition and also organically look at things to grow, but we are positive that this business should do well.

Nitin Agarwal: And last thing on the agrochemical business, after CTPR, is there another, do you have filing portfolio there in the business?

Rajeev Nannapaneni: Yes, we have very interesting products, I think we will file them in the next 12 months, they are all very interesting, but CTPR is always the biggest point, but they are all very smart interesting filings. Some of them are interesting technologies and some of them are interesting partner challenges. We will articulate as and when we find. I don't want to reach the pipeline, but definitely you will hear about it in the next 12 months.

Nitin Agarwal: And this would be what, again I start with an India focused play or you are looking at doing overseas businesses also on that recommended piece?

Rajeev Nannapaneni: I think I would now be focusing on India; I think that is where the real opportunity, I think we are taking the B2C approach, we are going to consume them directly and I think that is where the real value is.

Moderator: Thank you. We take the next question from the line of Kartik Mehta. Please go ahead.

Kartik Mehta: I just had two questions here, one is Revlimid in the US, so in the event that COVID wave does not there, is there any outlook on your existing product for the product that you will get approved this year? Second question is, is there any element of higher or nonrecurring element in the other expenses after the inventory also because on a Y-o-Y, it has almost doubled?

Rajeev Nannapaneni: Yes sure, I think I have answered that question, I have started the expenses, I think what we have done is there is 100 has become 200 and I think about 40 is the ECL provision, but 50-60 is additional R&D that we have done, so I think with the surplus that they are having, we are spending on R&D and I think that is the reason why you see it and I think depending on which project you are doing, you are going to see a little bit of extra R&D expense in the normal that we are doing because of the surplus that we have and first question that we have is what is we have this year, I think we have few other launches, we have another smaller products for which we are going to launch soon. We will announce shortly, so we have another big launch coming up. These are also going to have.

Kartik Mehta: You are talking about FY23 or is it?

Rajeev Nannapaneni: In this financial year, that is correct.

Kartik Mehta: And just on the R&D, so what should we look at normalized R&D in terms of, while there is an accelerated effort as you get more revenues from Revlimid, but as a ballpark number, will it be x4 what you did here or because that number on a quarter-on-quarter basis would be in a way and outcome in the way in which you feel that you want to accelerate any of the existing process, can you help us on that?

Rajeev Nannapaneni: I think there will be an increase, how much that increase and all and which quarter it will reflect, how and all it depends on when the expenditure will kick in. There will definitely be an increase. If you ask me how much increases, I don't have an answer right now Karthik, I think let me come prepared with an answer, but how much more and all let me do, because you are asking me I am not prepared for that answer, so I come prepared next time and answer that question.

Kartik Mehta: Broadly, will that expense be into product filings or will it be, is it a mix of product filing and litigation or is it for India?

Rajeev Nannapaneni: Next year, expenses will be characterized in three categories Kartik, it will be one in bio-clinical studies or clinical studies, two in what you call clinical studies and second thing is litigation expenses and three is raw material expenses, because that is of the exhibit batch write-off. Essentially, the whole three is what drives the R&D, so exhibit batch write-off will be reflected in consumption, legal and what you call clinical and bio clinical expenses and R&D expense will be reflected in other expenses, I think that is how it works.

Kartik Mehta: Lastly, this will be for products which will come at least after 3-4 years, right, is it fair to assume?

Rajeev Nannapaneni: As I said know earlier, I think you need to build the next pipeline, in addition to Ibruvia and Revlimid and Copaxone maybe in other three four… but unless you spend meaningful amount of money you will not get and you won't guess by doing 5 crores, 10 crores, you have to spend sometimes, like Semaglutide we had to spend more than 100 to get an outcome on that, but the thing is but again there we played a little conservatively by out-licensing that product, but the real good ones, we do spend big money, I think it doesn't come cheap, but again big money has also been big returns as well, not all the time, sometimes, but unless it you gamble and spend that sort of money, you are not going to get anything meaningful.

Moderator: Thank you. We take the last question from the line of Ravi Purway. Please go ahead.

Ravi Purway: Most of the questions have been answered, just one doubt that I have Rajeev, I think you had mentioned about base business profits be Rs. 50-Rs. 60 crores, are you referring to base business both India as well as the overseas base business not including Revlimid?

Rajeev Nannapaneni: I am excluding, base business, I am including the subsidiaries and India.

Ravi Purway: Subsidiary meaning, both overseas subsidiaries as well as India, both domestic as well as India export, right?

Rajeev Nannapaneni: Exactly.

Ravi Purway: I think you have mentioned in the call that lot of your new products have been very successful and you are quite happy with their performance like Afinitor and all, so if I look at your performance, let us say, 3 years back or 4 years back, so is there a fair kind of understanding large part of the profits of the products which are still kind of continuing to contribute on revenues be it Tamiflu, Copaxone, or domestic onco, the profit margin that these business have dramatically reduced over the last 2 years, in the sense during this season the profit margins have been half in this businesses for us and they kind of sense of commoditized to a large extent **say** Afinitor or let us say Revlimid and Revlimid Canada which is kind rephrasing that lost profit in a sense?

Rajeev Nannapaneni: We need to understand how generics business works, I think if you look at the export generic business, everything that we will do will keep reducing every year by 10, 15, 20%, so let us say what you made in 2017, 2018, if you were to look at the numbers today, there will be a 50% collapse in that, essentially it is a tread mill, so you need to keep coming and launching new products and replacing what you are losing on your base business. That is the nature of these. There is no other way of looking at this and I think you just had to keep coming out with a new idea. I think if you look at the last 6-7 years, we all had one special idea which always took the earnings and Tamiflu took care of earnings for almost 3-4 years, Copaxone has been consistent and continues to be consistent that we had to just see which did extremely well for few years, so you need to keep coming up something new every year and I think luckily we always come up with something every year which keeps the earnings up and that is how we have to look at this business. We take our track record for last 7-8 years we are able to deliver something or the other which allows us to keep our EBITDA at a reasonable level and that is how this business is. We just had every year we have to keep delivering something, something good happens, we take care of earnings for 2-3 years, again you need to come up with the next big idea and I think you look at it this way like earlier our subs were zero now subs represent almost 80 to 100% revenue for quarter, we had actually replaced Rs. 400 crores of sale like we have lost in our base business with subs up but not at the same level of profitability because the profitability earlier was on lower expense base that we have had, expenses have gone up and portfolio is far more better than what it is, I mean you just had to keep coming up something new and then hope that it works.

Ravi Purway: Do you see domestic business is also going through similar path that this time around and the base profitability of the domestic business kind of got cutting half in the last 2 years?

Rajeev Nannapaneni: I think our portfolio is very unique. It have lot of profitability and generally in the industry, things have been more stable, I think because of the nature of our concentrated portfolio we have launched, but overall it has been a fairly stable earnings again. Domestic is always stable, I think there is no doubt in that but just because we won't have a large portfolio and not seeing the impact of that on our balance sheet. Still domestic represents only 25% of our sales, so it is not like some of our peers, large share and more of their EBITDA compared to my EBITDA. Challenge of the domestic building it is very difficult, but once you build it, it is a reasonable annuity, but the overall if you see the base portfolio doesn’t grow dramatically, you need to understand when somebody says it grows around 10% or 15%, half of it comes on a base portfolio growth and half of it will come from new launches. Once we are able to do new with launches, but we are not able to do and get a growth from the base business, because our base is very small, I think that is the difference between, let us say, ours than everyone else. How do you fix it, I mean you have to buy something else, but again when you are trying to buy a business, it grows only at 5-6% how much it will need to pay, as a question that we always trying to answer and I think hopefully we are able to find an answer to that question.

Moderator: Thank you. This was the last question. Over to the management for their closing comments.

Rajesh Chebiyam: Thank you all again. The questions related to this call will be available after we get consolidate all the aspects. Feel free to reach out to us anything specific to the call. Thank you all. Have a good day.

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