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1st June, 2023

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

Sub:- Transcript of earnings conference call held on 30th May, 2023
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 FY23 held on 30th May, 2023. The transcript is also available in the website of the company i.e., www.natcopharma.co.in.

Thanking you

Yours faithfully

For NATCO Pharma Limited

CHEKURI VENKAT RAMESH
Digitally signed by CHEKURI VENKAT RAMESH
Date: 2023.06.01 10:57:12 +05'30'

Ch. Venkat Ramesh
Company Secretary &
Compliance Officer

"NATCO Pharma Limited

Q4 FY '23 Earnings Conference Call"

May 30, 2023

MANAGEMENT: **MR. RAJEEV NANNAPANENI – DIRECTOR AND CHIEF EXECUTIVE OFFICER – NATCO PHARMA LIMITED**
MR. RAJESH CHEBIYAM – EXECUTIVE VICE PRESIDENT – CROP HEALTH SCIENCE – NATCO PHARMA LIMITED

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

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY '23 earnings conference call of NATCO Pharma Limited Hosted line Nuvama Wealth Management. 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 star then zero on a touchstone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kunal Randeria from Nuvama Wealth Management. Thank you, and over to you, Mr. Randeria.

Kunal Randeria: Thank you, Michelle, and good morning, everyone. On behalf of Nuvama Group, I welcome you all for NATCO Pharma's Q4 FY '23 Earnings Call. With us, we have NATCO Pharma's 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: Great. Thank you, Kunal. Good morning everyone, and welcome to NATCO's conference call discussing our earnings results for the fourth quarter and the full year of FY '23, which ended on March 31, 2023. 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. I'd like to state that the material of the call, except for the participant questions, is the property of NATCO, cannot be recorded or rebroadcast without NATCO's expressed written permission.

We'll begin with the results highlights and then follow with an interactive Q&A session. As always, I hope you have received our financials and press release that was sent out earlier. This is also available on our website.

For NATCO has recorded consolidated total revenue of INR2,811.7 crores for the year ended on March 31, 2023, as against INR2,043.8 crores for the last year, reflecting roughly around 37.6% growth. Net profit for the period on a consolidated basis was INR715.3 crores as against INR170 crores for the last year. The increase in revenue and profits for the year was driven by business growth in the U.S. market and growth in Canada and Brazil, where we have our subsidiaries. Our Crop Health division started off well and with strong potential growth for coming years.

For the fourth quarter, which ended 31st March 2023, the company recorded a net revenue of INR926.9 crores on a consolidated basis as against INR610.6 crores during Q4 of last year. Profit for the fourth quarter on a consolidated basis was INR275.8 crores as against a loss of INR50.5 crores the last quarter prior year.

We have shared the segmental split in our press note. I will not reiterate the numbers, but we will take the Q&A for now. Thank you.

Moderator: We have the first question from the line of Rashmi Sancheti from Dolat Capital.

Rashmi Sancheti: Sir, my question is on domestic business. We've seen pressures in FY '23, but how many product launches we've done in FY '23 for the full year, mainly in the cardiac and diabetic segment, if you can grow some light? And for FY '24 and '25, how should we look at the total domestic business? Will it be still under pressure? And be like a flattish growth or it might be some sort of growth coming in? That is my first question.

Rajeev Nannapaneni: Domestic is doing well. As of this year, I think the numbers obviously are a little lower than last year. we had a onetime return of one particular COVID product. So that's the reason why. We have a run rate of about INR100 crores per quarter in that business. I know it's not grown. I mean, we are also -- I mean, we're looking at different things that we could do.

One is an acquisition what we've been talking about that. I think we are looking at those assets. And also, I think, organically as well, we have about 10 to 15 launches a year. In terms of what I call how many products we have launched last year? We've launched total about 11 products last year. And I think -- does that address all your questions?

Rashmi Sancheti: Yes. So sir in '24, we will be able to see growth, right?

Rajeev Nannapaneni: I think so. I certainly think so. I believe that we should grow about 8% to 10%. And I think because we have cash on books, we are looking at some strategic opportunities. Hopefully, we do a small acquisition. We can -- I think we are internally targeting in -- acquisition plus organic growth, I think we should compound that business around 20%, 25% the year. I think that is the internal target. And I think we're working on that target.

Rashmi Sancheti: Sir, and on the API business, are we using it more for the capital consumption or that our business has only dropped and how should we look forward for the API segment? And my last question is that what is the buyback effect has already coming? Or it will be coming in FY '24 balance sheet?

Rajeev Nannapaneni: Okay. So yes, let me answer that question. API business has degrown slightly. But this year, I think it should do well. Our internal projection is that, that business should grow around 20%, 25% this year. The second question you had was on the buyback, correct? Yes. So in fact, I think a lot of the buyback has happened in the April, May month. So we have closed the buyback. So we have bought back almost 35 lakh shares. So our equity was INR18.25 crores. Now it has dropped to INR17.91 crores. So 2% of our equity -- nearly 2% of equity has been bought back and it has happened in the April to June quarter.

Moderator: The next question from the line of Atharva Bhutada from Purnartha.

Atharva Bhutada: So after Revlimid sales slow down, there is heavy price erosion. How will the company look forward to increase the international sales?

Rajeev Nannapaneni: We have multiple pronged strategy in international business. One is I think we have subs, which we didn't have, which gave substantial amount of revenue. And I think we look at this year's balance sheet, subs have contributed nearly INR555 crores of revenue. If we net off the sub transfer, the actual sale is INR375 crores. But if you look at the front-end sale that we have had, we had about INR555 crores. And the major highlights are, Canada as an almost CAD 40 million. Brazil, I think, has done 20 million-odd. I think the subs are doing extremely well. The future of the business is the subs.

As you have seen in our press release, I think we're setting up a sub now in Colombia and a few weeks ago, we're setting up a sub in Indonesia. And we're also looking to buy an asset in the U.K. So I think that's the strategy that we're doing on the international business. We try to globalize and use the R&D pipeline that we have to extend a multiple number of markets so that we strengthen the businesses.

And a couple of -- we have very good filings that we have done in the last few months. I mean, it's very hard to get sole FTFs and all, as you know, it's a very competitive business. But I think we've pulled out olaparib, Lynparza first-to-file. It's a joint venture with Alembic. Another good filing we have is the Ozempic filing with Mylan on semaglutide. That's a diabetes product, which is doing extremely well. Some of the strengths are shared first FTF. But 1 particular trend we've sole FTF. So that's another very good one. So in the last 12 months, we delivered 2 sole FTFs, so it will be very interesting.

So I think the way this business works is honestly, I mean, you have to plug it along and build a global business and keep trying different things. And over the next -- I mean, we're spending very aggressively on R&D. We look at the cash that we have generated. I think we've spent a lot of it on R&Ds. Our raw material consumption is high. Our other expenses on bio studies and chemicals are high. And so we're putting whatever surplus we have back in R&D, and hopefully, we're able to strengthen our pipeline, yes. Okay.

Atharva Bhutada: Two more questions. One was regarding DASH...

Rajeev Nannapaneni: 1 more my friend. Let's give everybody a chance. So yes, 1 last. Pick up -- you're speaking soft. You can speak a little louder please.

Atharva Bhutada: Okay. So I had a question on DASH. So you bought DASH. So I just wanted to understand how are you going to scale it up -- like on the sales force in the U.S.?

Rajeev Nannapaneni: DASH is our U.S. trend and set up. DASH, right now, what we're doing now is whatever pipeline with ANDAs that we have, which have been dormant in our pipeline. So as you know, a lot of our old strategy was doing partnerships. So some of the older ANDAs, which we are not active, we use DASH to relaunch those products.

So I think the sub should -- I mean, right now it's not making money, but I think we believe in the next 1, 2 years, you'll see the benefit of our own front end. And some of our products will go through the subsidiary. I mean some complex generics are doing through partnership, but we're going to do a mix. I think some will keep with our own sub and some we are launching through partnerships. Thank you. Next caller, please.

Moderator: We have the next question from the line of Anuj Momaya from Ideal Investments.

Anuj Momaya: So first question is what is the inventory scenario in the agrochemical business?

Rajeev Nannapaneni: Agrochemical specific inventory. I think we've non-liquidated a lot of the inventory we sold about INR40 crores last year. So as of now, to be precise on what's our inventory on Agro, it will be about INR100 crores change. I don't remember exactly on the dot; yes, it's in that region, INR100 crores, INR110 crores region.

Anuj Momaya: But we are confident of able to liquidate...

Rajeev Nannapaneni: Agro sales happens only in June and September quarter. It's the Kharif...

Anuj Momaya: The Kharif season, we'll be able to liquidate this?

Rajeev Nannapaneni: I think so. I think so, yes. We are -- we believe they'll be able to liquidate. The traction is very good. I think we got the approval very late. And by the time we could set up the whole sales channel and all, we didn't have a chance to exploit the opportunities that we could have. Now that I think everything is clear, we have set up everything.

We're present in all the major states and all the sales channels are well oiled. So I think we should do it. And I think a lot of that inventory you will see will go away in the next few months, yes. But you have to remember, like because by March, this inventory will be higher, but a lot of this 70% to 80% sale happens within June and July. So we need to stock up at March and then we get it liquidated between June and July.

Anuj Momaya: My second question is on Revlimid. So we had, I think, a step up in the market share in the year 2. So this quarter is the only supply that you have booked or even the profit share has been accounted for? Or will see the profit coming in the next quarter?

Rajeev Nannapaneni: We have booked the supply. And I think we also booked -- we had to pay a raw material supplier a little bit, so -- as part of a pre-agreed agreement. So that is booked in the raw material. We have not sold all the quantity. I think we have sold about 1/4 of what we got allocated so far. So we still have 75% left, I think, around that in that region. So I think we'll sell it off, I think, in the next few -- couple of quarters -- June and...

Anuj Momaya: We'll be recognizing the profit share along with that?

Rajeev Nannapaneni: Yes, absolutely correct. Yes. I think -- but we have a lot of it still left. So I think we will do well in June, and I think some spill in September. I think that's our expectation.

Moderator: The next question is from the line of Ritika Agarwal from ValueQuest.

Ritika Agarwal: My first question is on gross margin. So this quarter, we've seen a significant gross margin decline Q-o-Q as well as Y-o-Y. Any major reasoning for this?

Rajeev Nannapaneni: Yes, sure. I mean -- so I think as the gentleman asked me earlier. So there was a onetime INR50 crores charge to our -- we had to pay our supplier for the success of our first-to-file. So I think that was a pre-agreed in the contract. So that is reflected in the consumption. And additional

INR40 crores, INR50 crores, I mean, we had a lot of R&D and bio studies that we have spent. And then we have some regular stock write-off and all. So I think it's part of the course, I mean...

Ritika Agarwal: So this onetime INR50 crores charge is for Revlimid is what you alluded?

Rajeev Nannapaneni: Correct. Absolutely.

Ritika Agarwal: Okay. Secondly, I think the cash flow, we see some intangible asset purchase of INR50 crores, what would that be?

Rajeev Nannapaneni: Intangible assets is about INR50 crores -- that is the goodwill on the acquisition of DASH.

Ritika Agarwal: Okay. Sure. And lastly, what would be the net cash on our balance sheet currently?

Rajeev Nannapaneni: As of March 31, 2023, the cash is INR1,089 crores. And we have a borrowing of about INR165 crores, of which about INR95 crores is foreign bill discounting. And INR165 crores minus INR95 crores, so INR70 crores is the actual bank borrowing.

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

Nitin Agarwal: Just following up on the previous question about the expenses. Even if you account for the INR50 crores one-off you talked about in the raw material costs, I mean, versus our historical numbers and raw material is a little on the lower side -- I mean the raw material consumption is a little on the higher side. So anything else that you want to just highlight given the fact this is such a large component of U.S. sales in this number?

Rajeev Nannapaneni: No, I think -- see, there are 2, 3 things, Nitin. I think what we're doing is actually -- I get to ask this question even on the last call as well. So I think the question that NATCO is facing is -- what do we do with our surplus, right? And I think I have decided that I'll use the surplus for spending money on bio studies and new exhibit batches. I think because of the strength of the balance sheet, we're using this money for strengthening our pipeline. I think as cumulative, I have told the other caller as well, that we've delivered 2 interesting FTFs. So I think this is where you have to spend your money on. And I think a lot of the money is geared towards exhibit batches and bio studies. I mean that's where we're spending our money.

Nitin Agarwal: So how much did we spend on R&D this year on the revenue front? And how much would be for the quarter, if you can give this number?

Rajeev Nannapaneni: I think, see, there's 2, 3 generally, but R&D is about 7% to 8%. And the exhibit batches and all are reflected in the consumption and other expenses.

Nitin Agarwal: So 7% to 8% of the revenues we booked this year is R&D?

Rajeev Nannapaneni: Yes, absolutely.

Nitin Agarwal: These are on these elevated R&D -- revenue numbers?

Rajeev Nannapaneni: Yes. On the higher revenue number.

Nitin Agarwal: Yes. So I think we had about INR2,700 crores revenue. So about INR200-odd crores is what we spend in R&D this year, roughly?

Rajeev Nannapaneni: I think, just let me get my numbers, yes. Just give me 1 second -- I think 8% of our revenue is what we have spent on R&D as of this year.

Nitin Agarwal: Okay. And secondly, on the crop protection, barring the inventory liquidation that you will do on CTPR. Any more colour on how do we see this business over the next 2, 3 years?

Rajeev Nannapaneni: I think the business should do well. I think we just got started. I think we did only INR40 crores last year. But this year, I think our projection is that we should do about INR150-plus crores. I think -- we're targeting INR200 crores, but I think INR150-plus crores, I think conservatively is what we're looking at. We have other products -- and I think a lot of these filings have been done this year. And I think this year will be the year of CTPR. I think the full value of CTPR, I think, will to realize in this financial year. And subsequent years, we have a pipeline. And I think we are hoping that this business grows to about 10% of our sales. I think that's the stated goal internally.

Moderator: The next question is from the line of Rajat Setiya from iThought PMS.

Rajat Setiya: With regards to our base business, which you have been mentioning in the past few calls that it is generating a PAT of around INR40 crores, INR50 crores on a quarterly basis? How was that number in this year? And could you quantify the total number for the full year last year?

Rajeev Nannapaneni: I think that's a fair estimate. I think it's the same number. I don't think it's any different. I mean, I think it's in the same range.

Rajat Setiya: Okay. And how you see this base business, which is basically ex Revlimid, I think everything else. How do you see this business growing over the next 2, 3 years?

Rajeev Nannapaneni: I think that's what we are trying to talk about. I think what we're trying to do is spend money on R&D so that we can strengthen our subs. And hopefully, that business takes off and then that can strengthen our base. So we are spending our money on doing more filings. I think, for example, our stated goal is, U.S. we need to file 8 to 10; Canada, we need to file about 8 to 10; and then Brazil, we need to file 8 to 10, which are the 3 key markets.

And in addition to that, we had to launch about 10 products in India. That's a stated growth. In terms of where do we see this growth coming from? We personally believe I think once we strengthen this business and build a pipeline, including a combination of both FTFs and the base business. I think we have mentioned about 2 FTFs that we had achieved in the last 12 months. I think we target similarly another. I think the key here is you build a strong pipeline in multiple markets, and then you target about 8 to 10 FTFs or niche or hard-to-do generics and somewhere in that, I think you will get some success. I think that's the strategy.

Rajat Setiya: Sure. So in this base business, do you expect any products wherein profits can further fall because of price decline or competition?

Rajeev Nannapaneni: Which product you're talking about?

Rajat Setiya: Not any specific...

Rajeev Nannapaneni: The base you're saying?

Rajat Setiya: Yes. Because this base business -- I mean, the business as a whole used to generate 400 -- minimum INR400 crores of profits in a 5-year time period. Continuously it has done that. But now it is probably down to INR200-odd crores. So now can it further go down? Is what -- in the immediate future...

Rajeev Nannapaneni: I don't think so. I think if you look at it, we've built a sub business, the subs are doing about INR20 crores, INR25 crores of quarter. And I think -- and I think that has done well. I see another big change is the Agro. See, Agro is losing about INR45 crores, INR50 crores a year. So we won't lose INR45 crores, INR50 crores this year because obviously, because the launch is there and the full-year advantages there. And so these are major changes.

And then domestic in combination with the acquisition and growth of 10%, I think we should be able to see some positive cash flow. The objective is that we build this business back to about INR100 crores type of PAT minus the bigger products. So I think that's the objective and we have the pipeline, we have the filings. I think we are confident that we'll be able to pull this off in the next few months.

Rajat Setiya: Sure. With regards to the acquisition, you mentioned that with the acquisition growth in the domestic business can be 20%, 25%. So are we targeting this INR50 crores, INR60 crores kind of acquisition? Isn't that too small?

Rajeev Nannapaneni: If you look at -- I mean, we will get different acquisitions. We've not closed anything. So I can't really comment specifically on a particular transaction. I think that's the objective, I think, yes. We're looking at such transactions.

Rajat Setiya: One small question on the subsidiary side. In this quarter, if we just reduce the -- if you just deduct stand-alone numbers from the consol numbers. So the EBITDA for subsidiaries coming around INR11 crores. So is there -- I mean it has declined a lot. Is that understanding correct? And what is the reason if that so?

Rajeev Nannapaneni: I don't think the EBITDA is INR11 crores for the subsidiaries, and that's not -- if I can read my numbers in my sheet here -- the profit of the subs for Q4 is INR28.97 crores.

Rajat Setiya: You're talking about EBITDA?

Rajeev Nannapaneni: Yes, this is PBT, boss -- PBT -- offline, you can speak with our IR and get a clarification, yes.

Moderator: The next question is from the line of Ishita Jain from Ashika Group.

Ishita Jain: What was the percentage R&D spend in FY '23? And what is your guidance for the next 2 to 3 years?

Rajeev Nannapaneni: I think last year was about 8%. And I think we believe we should spend -- I want to spend about 10% this year. I think that's our guidance.

Ishita Jain: Got it. And what is the time line on semaglutide? Is this an FTF? And if you're going to do semaglutide, are we also looking at Wegovy and Rybelsus?

Rajeev Nannapaneni: We're looking at everything. But as of now, I don't want to speak about that. I can only speak about the 1 that we have filed. Time line, I can't give it. All depends on the patent litigation. So I can't answer that question.

Ishita Jain: Understood. And just 1 last. You mentioned that there is 1 product that is not partnered, and we're going solo on it. Are you disclosing what product that is and it's timeline, if any?

Rajeev Nannapaneni: I don't know which one I'm talking about. Generally, I'm saying some products we are going solo, and some we are not partnering. But as a general strategy, not specifically one particular product. If you've seen our investor presentation in quarter 4, to give you an example, like Lonsurf, we are litigating -- it's a shared FTF, it's with us.

We have first filed on Zydelig/idelalisib. We've sold FTF, and which is we're doing it ourselves. So I mean, these are examples where we're doing it ourselves. So it all depends on the product because some of them are already partnered with us in the past. So the contracts were obligated. The newer ones are doing a mix of direct and partnership.

Ishita Jain: Got it. So in these direct ones, we are expecting to set up frontend. This is mostly for regulated market, right?

Rajeev Nannapaneni: Yes. But the frontend is always there. I think we spoke about DASH Pharmaceuticals I thnk that's the frontend.

Moderator: The next question is from the line of NK Arora, an individual investor.

NK Arora: Congratulations, sir, for a good set of numbers. I just wanted to note that what would be the likely percentage growth in revenue and profits for the next financial year?

Rajeev Nannapaneni: Thank you, Mr. Arora. I think we should do well, Mr. Arora. I think we'll have very good growth this year. How much and all, I don't want to say it at the beginning of the year because I think once the year progresses and maybe in the next call, I will give some -- we can get some clarity on how this year. But I think very clearly, it will do much better than this year.

What percentage growth? I don't want to say anything right now. I want to reserve that comment for now. But we'll do well. I think we'll do extremely well. I think that's our expectation because of our launches in the U.S. and also because the adverse turnaround. And I think with the stabilization of our subs and also domestic also should be stable. I think all these factors will contribute and I think we should do well.

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

Ahmed Madha: Just I wanted to understand that this year, for the subs, we did INR550 crores topline. So last year, FY '22, how much was that number?

Rajeev Nannapaneni: I think gross is INR555 crores and INR375 crores is the net because you have to deduct the sale that we send from India to the sub. Give me a moment. I don't have the -- I only have the net number. It's INR181 crores.

Ahmed Madha: INR181 crores. Got it, got it. And the second question is on the nature of the INR50 crores charge which we took. So can you explain little, I mean a little more clarity. What was the INR50 crores charge for?

Rajeev Nannapaneni: INR50 crores charge is what we pay the raw material supplier for enable. So we said that if we get success in our product, we will share a certain amount of money with them. I think as part of the pre-agreed agreement, we have paid them that INR50 crores, to our Indian supplier.

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

Cyndrella Carvalho: So coming back to the guidance part, you are saying you might take some time more for us to come up with a growth guidance. However, just to confirm, the volume share increase has been already taken for every month and that will meaningfully playout in the first and the second quarter. Is that correct understanding, Rajeev?

Rajeev Nannapaneni: That's absolutely correct. Absolutely correct.

Cyndrella Carvalho: Okay. And any colour on the U.S. environment that you would want to provide excluding the generic Revlimid part?

Rajeev Nannapaneni: I give a general perspective, Cyndrella. I think what you need to understand is you cannot ignore U.S. U.S. is 50% of the U.S. generic business. I think any company which is operating in this space has to be present in the U.S. Regarding the challenges in the U.S., I mean, you're going to have some good years, you're going to have some bad years. And I think you need to be pleasant and you need to play in the game. I think that's when you get the opportunities.

And the real value in the U.S. is when you do hard-to-do generics or niche generics. And I think that's always been in the position of NATCO and I think that's where you get the upside. And that's how you do this business. And I think you have to be present, you have to have a basic portfolio, you need to have a pipeline and somewhere it will get a hit somewhere. And I think what -- it's a waiting game. We just have to be patient and you just have to wait. And somewhere in your pipeline, you will get at it.

What that hit us and all? I mean, I can only make an educated guess and I can speak about it in a call. But what will come through? Nobody knows. But I think it's still a good business and I think you can't discount that away.

Cyndrella Carvalho: Okay. I was asking more from a pricing environment, do you see...

Rajeev Nannapaneni: Pricing environment -- competitive -- in a way I've answered your question. Let me replace that in a way that, I mean, hopefully, you can understand what I'm saying. In a multi-generic source, there's no money. It's the honest truth. And I think there's -- that's the way it is, and that's the nature of the beast. What I'm trying to say is that you have to be present in the business, and there are always opportunities where somebody else doesn't turn up and then suddenly you get an upside.

Or you do a initial hard-to-do generics, there's money to be made. The environment is what it is. I mean, you can't change it. And I think we have spoken many times about this -- the consolidation of the buyers, the number of Indian suppliers that are there. It's a very competitive business. But you need to find a sweet spot and that's the trick in the business here.

Cyndrella Carvalho: And on the subsidiary side on the Canada and Brazilian, would you like to help us understand how should we look at FY '24 and '25? Number of launches, anything improving there? In terms of profitability, how do you see the subs performing?

Rajeev Nannapaneni: I think the subs have done well, and I think we're very happy how they have done. It's -- I think we expect that this business will grow around 15% to 20% in the coming year. And I think we've spoken about the numbers. I think we did about CAD 40 million in the front end. I think 20 million, 21 million in Brazil, I think. So I think that should grow around 15% to 20%.

Cyndrella Carvalho: And are 4 launches in the subs, how are they performing? Have you able to get approval for all the core launches? Are we still awaiting some key approvals?

Rajeev Nannapaneni: Which sub meds? I'm sorry...

Cyndrella Carvalho: Canada and China also...

Rajeev Nannapaneni: I think we have a steady pipeline. I think we filed about 7 to 8 products. I think we do litigation. So I can't specifically tell you which product, when and all. I think top of mind, I can't answer that question. But I think we are expecting that we'll grow around 15% to 20%. I think that I can answer that much.

Moderator: The next question is from the line of Rusmik Oza from 9 Rays EquiResearch.

Rusmik Oza: Sir, just to correct myself, we have sold around 25% of our allocated share of Revlimid and 75% is still pending. Is it right?

Rajeev Nannapaneni: Absolutely, right.

Rusmik Oza: And can you give us a little bit of understanding, out of the 75%, how much could come in June quarter and how much could come in the September quarter?

Rajeev Nannapaneni: A lot of it will come in June and I think some of it will come in September. I mean a lot of it will be captured in June and the September quarter. I think that's our expectation.

Rusmik Oza: Okay. And sir, has more players enter this space from here to Jan '25 or maybe FY '25, '26, any colour on what kind of market share you want to retain or gain in this Revlimid product?

Rajeev Nannapaneni: It all depends on how the market plays. And I think, you can aspire for something. But how the market plays up. I can't predict the pricing environment a few years down the line. I can't answer that question. Sorry.

Moderator: The next question is from the line of Rohit from iThought PMS.

Rohit: Sir, in the answer to earlier participant's question on your base business, you mentioned that the target is to get to from the current profitability of about INR40 crores, INR50 crores -- to about INR100 crores. What is the broad time line that you're thinking on this? I mean is it in the next few quarters? Or like how are you thinking about this?

Rajeev Nannapaneni: I think it will take time. I think our view is that Agro should do well. So -- I can really tell you, I mean, we in and all, it's very difficult to answer those questions. But I think what I can tell you is the Agro should to do well. I mean, I can tell you what factors will get you that number. I think agro should do INR150 crores, INR200 crores. Domestic has to grow around 15%, 20%. Our subs have to grow around 15%, 20%. So when you say building a base business, then you need to have the whole base growth and your multiple country strategy should work. So I think you just have to keep watching. I think I expect in the next 1, 1.5 years, 2 years, I think that's the aspiration, I think, based on these assumptions.

Rohit: Sure. And just slightly longer term in terms of -- I mean, obviously, our strategy is to sort of go for some shots and we've done very well in the last decade or so in that regard. Moving ahead, I mean I don't know if you can share, but as you move beyond 2025, 2026 calendar year, how do you see -- I mean if you can talk some of the opportunities? You were quite bullish on the pipeline in the last 2 calls. So if you can talk a bit about that, whatever you can share, that would be helpful to think about what can be the next big thing for NATCO beyond Revlimid?

Rajeev Nannapaneni: I think we spoke about that. I think, I gave examples of semaglutide, I gave example of olaparib. See, I think you need to understand. I think our company has the innate ability to identify good opportunities and deliver. And I think we've done that successful in the last decade And we reached a stage, if we did, with the pipeline. The problem with this -- doing this hard-to-do generics, complex generics, which are linked with litigation, is you can't give time line that this launch will happen at this particular date and at this particular time because a lot of factors that play a role.

So I think what I can do is file, I think, objective internally is that we should file 7 or 8 or 10 of these. And hopefully, we get 3 or 4 right, I think you have said, I think let me -- okay, I'll challenge you the other way. I think you can't tell the timing, but if you get it right, it will be -- you'll do well. I think that's how you have to look at this. And if you look at the competitive nature of the generic business, you need to understand that you have to deliver these niches, and that's where you get the kick in the earnings.

Otherwise, you won't. To say that -- I mean, people keep asking me on base business growth and all. Base business will only get to you like -- will be very meager earnings. It's not going to change the needle dramatically. And I think you need -- that is important. I'm not saying it's not important. But you also need to deliver the niches.

And if you don't deliver the niches, you'll never get that growth. And I think that's where we're good at, and I think that's what our focus is on. And we did a balance of scores, the base -- but when you do a product where they are like 15 generics, I mean, how much money can you can truly make? You can't really make much money. And the same impact everybody is having in our business today. I think because of the high base effect.

Even if you get 10 or 20 of these launches where you're in a hypercompetitive market, it's hard to do well. You need to deliver something special as well. I think you need to balance it out. And I think we need to look at the business in 2 ways. You've got to have your niches and your hard-to-do genetics that you need to deliver and also you need to build the base. I think you've got to judge the company on both. I think that's how I would look at the business.

Moderator: The next question is from the line of Mitesh Shah from Nirmal Bang Securities.

Mitesh Shah: I have a question about R&D. You said 10% of sales. So it would be like almost this year, 8% would be around INR200-plus crores, then you're expecting would be INR350-plus crores R&D next year?

Rajeev Nannapaneni: I think it depends on how we do well. But I think I want to spend more than INR300 crores, I think that's the objective. I want to spend 50% more than what we did last year. But I think -- it all depends on cash flow. See, I measured the R&D based on the cash flow we have, right? I think we have good cash flow, we spend more. If you have less cash flow, then you can spend less and then try to do more partnerships. So I think it's all comes to on flow...

Mitesh Shah: Got it. And about -- Revlimid again, that you said you sold 25%. So that you supplied or that is booked profit by the partner?

Rajeev Nannapaneni: It's the sale that was booked by our partner.

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

Nitin Agarwal: Rajeev, on the R&D, now the R&D spend that we are taking are almost all of them towards the U.S.? Or there is a considerable amount you're looking to spend now towards the non-U.S. market also?

Rajeev Nannapaneni: No, I think we're spending in all the major markets, Nitin. We are -- I'll give you an example of what I'm trying to do. And I think we'll get a feel of what we're trying to attempt. So let's say, we're doing this 1 particular oncology product. I don't reveal the name, but to give you an idea of what we are trying to do. So the bio study for this will cost you about at least $2 million. So if you want to do a bio study for Canada, it's $2 million. If you want to do a bio study for Brazil, it's $2 million. If you wanted to do bio study for Europe, it's $2 million. So 2 plus 2 plus 2, $6 million. One product, I'm spending $6 million.

The reason I'm doing that is because I believe this is a very niche smart product. And I think our expectation is when the launch happens, we'll do well with it. Will I be right? I don't know. But these are gambles that we're trying to make. So we're spending $6 million on products. We've identified 5 products and -- which are difficult to do. Then suddenly down $20 million, $25 million of R&D money in this.

But I think, again, it comes back to the original question, Nitin. What do you want to spend your money on? Do you want to spend on simpler ANDA where you know for sure, they're going to be 15 people or do you want to spend on an ANDA where for sure there will be only 2 or 3 guys, but the entry barrier is higher? I'm choosing the latter as opposed to the former. I think -- will I be right? My sense is, I'll be right because, again, you can always argue that there's volatility in the earnings.

But I believe the real value of the business is there. And I think if we do it well spread over multiple geographies, I think you will get a very consistent set of earnings. I think that's what I believe -- personally believe. And I think that's -- and you have to chart your own course. And I think it's very important that we don't spend money on things where you believe that there's going to be a lot of competition because India, what is the point of spending money on something that is not going to make too much money, right?

So I mean, you can always have the basket strategy and I think we can always play that argument. But the value in the business doesn't come basket, Nitin. I completely -- basic basket is required, of course, when we go to customers, and it is absolutely understood. But the real value in the business is doing the hard generics. It's not in the meat. I know this is a little different from conventional business, but I strongly believe there's no -- I think you'll never get a bump on your earnings before that.

Nitin Agarwal: No, that's accreditable. And secondly, just on that, you mentioned that you're looking to do 10 filings in U.S., then in Brazil and Canada. So I presume there will be a significant overlap in these products, right, typically?

Rajeev Nannapaneni: I think that's where the synergy comes from them, Nitin. So you spend, let's say, $3 million, $4 million of the exhibit batch and you spent $2 million, $2 million, $2 million on the bio study. So suddenly, you're spending $10 million, but you're getting 3 markets. And each of these countries request -- requires you to do with the local R&D. So I think that's the challenge. So that's how we do this.

Nitin Agarwal: And lastly, on -- in terms of your filings or rather possible launches over the next maybe 2 to 3 years, what is the visibility in terms of incremental launches that -- which could be, say, $20 million-plus launches, which can happen? How many such launches we can do over the next -- I mean, do you have visibility on over the next 3 years or so?

Rajeev Nannapaneni: Some we do and some we don't. I mean the smaller launches, I mean, we have a settlement on Tracleer, which is -- I don't know on the sale of the product. It's below $50 million type of product. And then we have a settlement on idelalisib, which is also below that size. So I think we meet our pipeline of these. And I think we'll update our investors in our investor presentation to start these filings.

But these -- I mean we can't discuss the pipeline, what you call the time we launch because the bond is confidential. But I think we'll disclose it in our presentation. But we'll let move the needle, Nitin? Yes, a little bit, but not enough to cause a disruption of the earnings. I think our base has become so large that $10 million doesn't make too much difference. So you need to have a whole pipeline of these ideas.

Nitin Agarwal: And just last one. On the base products, which are there in the U.S. except Revlimid, I mean, have you seen any change in the dynamics or any improvement or any competitive dynamics on the existing products except Revlimid in the U.S.?

Rajeev Nannapaneni: I think the products where you are niche and all, they're doing well, Nitin. I think where there's a limited amount of competition, I think you're doing well. Products where you have multiple generics, there's enough completion from India. I mean, people say the pricing environment has changed and all. I'm not a big believer in it. I think somewhere in 1 product here and there you'll see, but overall, the -- in a multi-generic environment, you can't make money, Nitin.

Just it's occasionally you'll get money here or there. It's a mathematical possibility. But I -- personally, I don't believe it. I know it's contrary to everybody what everybody says on the street. I do not believe that we can make money on these products. You will have it as a basket. So maybe pay for the factory overhead or something like that, but these are not disruptive or great product, which we think tends to make money. I disagree with that position.

Moderator: The next question is from the line of P.D. Gupta from Investors Forum.

P.D. Gupta: Sir, now specifically I want to know what is the contribution of Revlimid in our top line as well as bottom line for the quarter and year ending March '23?

Rajeev Nannapaneni: I will not answer that question, Mr. Gupta. I don't want to answer because it's competitive information. I don't want to answer that question.

P.D. Gupta: Not available, sir. So, can I try to get it on the phone?

Rajeev Nannapaneni: No, no, no. I'm not going to answer. I think a lot of times we will be asked. It's just giving away competitive information. I don't want to...

P.D. Gupta: No idea, sir. One more thing, sir. Actually, other companies are also entering U.S. in Revlimid recently. I was going through a detailed report on Revlimid in U.S. And I got 1 information in that, that during the calendar year, not financial year, calendar year 2025, the contribution of our NATCO Pharma will be around USD 1.1 billion. Is it correct? Calendar year?

Rajeev Nannapaneni: I don't know. I don't want to judge pricing situations on that -- I can't answer that question, Gupta Ji sorry.

P.D. Gupta: Is it possible?

Rajeev Nannapaneni: I do want to answer your question. You're asking me to predict what happens in the future, which I refuse to do that. I'm sorry, I can't answer that question.

Moderator: The next question is from the line of Rajat Setiya from iThought PMS.

Rajat Setiya: So sir, with regards to Revlimid, were we able to sell our allocated volumes in the first 12 months?

Rajeev Nannapaneni: Last year's quantity you are saying or this year's quantity you are saying?

Rajat Setiya: First 12 months, the first 12-month cycle that began...

Rajeev Nannapaneni: That's all done all. That's all done.

Rajat Setiya: So we were able to sell completely whatever we were allocated, right?

Rajeev Nannapaneni: What was allocated last year, it's done and dusted. What we're selling now is this year allocated.

Rajat Setiya: Okay. And for this year, do you expect the volumes to be -- I mean, is it safe to assume the volumes can be 2x of the last year?

Rajeev Nannapaneni: It will be better than last year, and our earnings, hopefully will be better as well. It all depends on the pricing, yes, but I think we should do better.

Rajat Setiya: Okay. I mean, in terms of volumes we know where we are going to hang, which is probably 1/3 of the overall market, and we started with somewhere mid-single digits. So going by that, is it not safe to assume that we'll be doing 2x of the volumes? 2x volumes over the last year?

Rajeev Nannapaneni: I can't answer that question. I can't give any guidance.

Rajat Setiya: Regards to the -- again Revlimid only, with regards to booking the manufacturing sales in Revlimid. So did we do that in Q4? Or did you do that in Q3?

Rajeev Nannapaneni: We already booked the manufacturing in the last financial year. Manufacturing and the raw material cost...

Rajat Setiya: For the second year, I mean, did you do that in Q4 or Q3? Second year of Revlimid?

Rajeev Nannapaneni: I think we did part in Q3 -- I don't remember exactly. We did some in Q3 and some in Q4. And in Q4, obviously, the expense of book, but I can't reflect much, but it's somewhere in between.

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

Cyndrella Carvalho: So just wanted to understand, initially, we were looking to acquire, do some acquisition in domestic market. While now you're saying that you want to invest more in the R&D side globally. So is there any change in any thought process from the...

Rajeev Nannapaneni: I'm saying both, Cyndrella. I'm not saying only R&D. I'm spending money looking at acquisition and also looking at R&D, both. I never said that -- it's not -- both.

Cyndrella Carvalho: Understood. And is there any update on the local -- domestic side, are we looking at any of the brands? Is there anything...

Rajeev Nannapaneni: We're looking at different transactions. Hopefully, we're able to get something. I think as of now, not much.

Cyndrella Carvalho: And the idea, again, remains around INR150 crores to INR200 crores kind of piece that we are looking at in terms of acquisition domestically? The size?

Rajeev Nannapaneni: We're looking at different transactions. I don't want to answer that question directly. I think we're looking at different sizes. I think we'll come back once we consummate something.

Moderator: The next question is from the line of Mitesh Shah from Nirmal Bang Securities.

Mitesh Shah: Sir, I just have 1 question on the Revlimid. Revlimid, what is the pricing scenario versus last year and this year that you already now booked 25% of the fees?

Rajeev Nannapaneni: It's doing well. I think I can't answer that question directly, but we are happy with things. I think things are okay. And I think we should do well.

Mitesh Shah: Okay. Got it. And again, following the last participant questions. I think as you said that the competition increasing and most of the players are looking for the specialty or the complex products. So do you think so that the -- still the opportunities are large for the complex or diminished products or it will be eventually competitive, again, like the normal one and the opportunities will be reducing?

Rajeev Nannapaneni: See, the question is you can look at something, doesn't mean that you'll deliver. The difference between looking at something and deliver it. So I think the guy who delivers is where the person will do well. And I think there's a lot of gap between delivery and looking. So I think that's where -- that's what's going to separate people who are successful, who are not. But coming back to what the gentleman said and I want to reiterate it again, you need to do the niches. Otherwise, you'll not succeed and get meaningful earnings growth.

And I believe unless you do specialty top generics, I think the business has very little value. Again, it's my personal view and everybody doesn't agree with me because, obviously, different people have different models. But in my personal view, if you're going to be in the generic business and you want to be a global player in the generics business, you got to do the niches and hard-to-do generics. And sometimes, the predictability of the launches will be difficult to judge, but that's where the real value is.

Mitesh Shah: Got it. Actually, sir, my question is mainly regarding the -- your past history is always you're finding out the gap and you're targeting those gap. So it would be like a similar gap you can be see in the future or it will be narrowing down because of the competition?

Rajeev Nannapaneni: I mean just coming back to your original question, I think, do you see more people doing and therefore, the opportunity is dwindling? No, I don't think so. There's enough opportunity. You just have to be patient. You got to spend the money and I think there is an opportunity. I don't feel so negative. I -- but previously, the entry barrier for this money, the money that you're spending is also very large, right?

I mean I just said a few minutes ago, we had to spend $6 million or $8 million to get a global launch of 1 particular product on just a clinical trial. I mean these are the ones that we need to do, and I think that's where the real money is. And I think these products surprisingly does hold up. I mean, not all the time, every time, but the mathematical probability of our success is much higher in these sort of products and that's how we need to structure your business.

Moderator: The next question is from the line of Anmol Soni from SUD Life.

Anmol Soni: Yes. Sir, you have said on the call that you have booked around INR50 crores of cost against 1 FTF. So what is the revenue contribution regarding this?

Rajeev Nannapaneni: I think we -- this is regarding the supplier of the API. I think we've -- I've said that I will not answer that question. Yes.

Anmol Soni: Sir, but what will be the revenue contribution?

Rajeev Nannapaneni: I'm not answering that question, my friend. I'm sorry. I don't do a split of the products. And We don't because you're just giving away where you're making money, I think, and how you make money. I've been asked this question many times, I'm not answering that question.

Anmol Soni: Okay. And on Revlimid, you have said that 25% has been sold right now. So is it from the date of launch or is it from the calendar year or financial year?

Rajeev Nannapaneni: From the date of launch.

Moderator: The next question is from the line of Ritika Agarwal from ValueQuest.

Ritika Agarwal: I have 2 questions. Firstly, on the API business, we've seen a very good growth on a Q-o-Q basis, almost 70% growth, from INR40 crores, INR50 crores run rate to now INR70 crores plus. What led to this kind of growth? And what is the driver on what we are guiding 15% to 20% growth going ahead in this business?

Rajeev Nannapaneni: I think we have confirmed orders from our customers for various products that are there from that division. So based on that guidance, I think we feel confident that we should be able to do that business. And there were some delays in some supplies of 1 particular product, that's the reason why it got shifted to the Q4. I think that's the reason why there was a drop in Q3. But I think now we are more comfortable, and I think we should do well.

Ritika Agarwal: Sure, sir. Sir, and does API involved CDMO also? Or is it a pure API supply?

Rajeev Nannapaneni: It's pure. I don't believe in CDMO business because I think if you want to be an aggressive generic company, I think you can't do CDMO. Personally, I'm a big fan of CDMO because -- I mean I'm a little hard for my comment, but I think there's a reason for that also because if you want to be an aggressive successful generic company, you need to go after every patent.

And if you're doing CDMO business for multinationals, you can't -- you don't have the flexibility. I mean there's other people who do that business, and we have done well with it, but that's their strategy. But my strategy is to go after patents. In my personal view, I think it doesn't work. You can't play both sides. You've to choose a camp. So I don't -- firstly, to answer your question, it's a straight API business. It's not CDMO.

Ritika Agarwal: Got it. Sir, second question again, subsidiaries, we've seen a very good growth from INR80 crores kind of run rate from that 4 quarters to now INR117 crores, INR118 crores. So what led to this growth? Whether you're launching this quarter? And again, we are expecting some 15%, 20% growth going ahead? Or would it be led by new launches again?

Rajeev Nannapaneni: Absolutely because of new launches. I think we had some very good launches in Brazil. I think that had made a lot of difference. And we won some good orders in Canada as well, some tenders as well. So the business looks consistent. And I think we -- to answer your question, it is because of new launches, some new approvals and I think in some tender orders that we have won in some countries.

Ritika Agarwal: So. Sir, could you point out which are these launches that we are looking ahead going ahead?

Rajeev Nannapaneni: Generally -- we generally say, we don't give away the product because generally -- see, I'll tell you why we don't give away products, because sometimes the big ones we do mention, I mean, for example, in Brazil, I think, apixaban has been the biggest product that has done extremely well. But we don't give away the pipeline because it's for competitive reasons. Generally, you don't give away our portfolio, so...

Ritika Agarwal: That's helpful. Just last question. Where are we in the domestic acquisition front. Anything that you can comment or anything, yes.

Rajeev Nannapaneni: Hopefully, I'll able to close something this year. Yes, hopefully I'll able to close something. I mean, I've been saying that for the last 2 years. I know I've not delivered. So I'll be honest with you. So hopefully, we'll able to get something this year, yes. Okay?

Moderator: Sir, can we take 1 more last question, please?

Rajeev Nannapaneni: One last, yes.

Moderator: The next question is from the line of Rajat Setiya from iThought PMS.

Rajat Setiya: Yes. With regards to our agri business, what's our strategy to grow this business over a 4-, 5-year time period, given the only product that we have, which is CTPR, may start seeing competition and contribution may start coming down from here? So what sort of growth strategy here?

Rajeev Nannapaneni: No, I think CTPR is a good start. I mean, you need to understand CTPR is -- it's like 15% of the whole agro business. So I think it's a very important launch. This sets up the base for us to launch other products. I think it's a very strategically important launch. So that cannot be diminished. However, of course, we have to move past CTPR. We have a list of almost 6, 7 products, which we are working on.

And all of them are first time indigenized. And we're not revealing the pipeline. I think all are under review in the CAB and I think we'll reveal in the next 12 months when we are coming closer to the launch. They are all very exciting products, all first time in India, indigenously produced. So I think I'm very excited. But generally, what happens with these sort of products, I mean, I know we have -- we obviously, as a public company, we have to disclose what we are doing. But you can't give away your pipeline because that kind of gives people a heads up.

And I think you don't want to do that. And -- but once the right time comes, we'll reveal the pipeline. But to answer your question, we have a list of about 5, 6 products that we expect to launch in the next 2 years based on the success. Some of them are litigation driven, some are not. So I think it is a mix of both. But I think we are very bullish about the opportunity there. Thank you, sir. Thank you so much.

Rajat Setiya: Sir just 1 small -- in terms of market size for these molecules, what is the range for the smallest and the largest?

Rajeev Nannapaneni: I think we are looking at ranges between INR50 crores to INR400 crores. Thank you so much. Thanks for arranging everything, Kunal. Thank you so much. Thank you all.

Moderator: As that was the last question for today. I would now like to hand the conference over to Mr. Rajesh Chebiyam for closing comments. Over to you, sir.

Rajesh Chebiyam: Yes. Thank you all. Again, I appreciate all your questions. As always, the questions and the recordings will be shared. These are -- these would be available shortly. So thank you all, and have a good day.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Nuvama Wealth Management, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.