



## Jubilant Life Sciences Limited Conference Call April 1, 2020

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**Vineet Mayer:**

Good evening, everybody. I am Vineet Mayer from Investor Relations at Jubilant Life Sciences. I thank you for joining us on this call. The purpose of this call is to provide an update about the company's position with respect to COVID-19 pandemic. We would discuss our fourth quarter FY'20 and full year '19-20 financial/operational performance and business outlook in our fourth quarter earnings call and disclosure after our board meeting in May-end. We would appreciate if questions at the end of the call are restricted only to the company's position with respect to COVID-19 and not to discuss specifics of the Q4 and full year '19-20 performance, financial guidance and outlook.

I would like to mention that some of the statements made on the call today maybe forward-looking in nature and a detail disclaimer in this regard has been included in the Q3 FY'20 press release that has been shared on our website.

On the call today we have Mr. Alok Vaish -- President and CFO; Mr. Pramod Yadav -- CEO, Jubilant Pharma and Mr. Rajesh Srivastava -- CEO, Life Science Ingredients.

I now invite Mr. Vaish to share his comments.

**Alok Vaish:**

Thank you, Vineet. Good evening, everyone and thank you for joining this call. The world today is in an unprecedented situation brought on by COVID-19, most of the countries impacted have been surprised and shocked by the speed and magnitude of the spread of COVID-19 and the effects it has brought onto the governments, people and economy at large. This pandemic has the potential to become one of the worst health crisis the world has seen in recent memory and also disrupt the world economy in a very significant way.

Closer home, Indian government has taken some very tough measures to break this chain of transmission. While these are the right measures but they also have huge economic impacts to the business, livelihoods and more particularly to the low income daily wage earners. We are already witnessing a huge migrant crisis which could have some long lasting effects.

In this highly uncertain and volatile backdrop, we are doing this call with our investors and stakeholders to address their concerns and provide an overview on how this evolving situation is impacting our various businesses. The company is taking numerous proactive steps to mitigate the impact of COVID-19 on our operations including leverage business continuity plans.



The good news is that we are currently witnessing steady performance across our businesses, which is a result of strong position in a various businesses, geographic diversity and the recent initiatives that we have undertaken globally to mitigate the impact of COVID-19 related disruptions. Most of our businesses are under essential commodities category and hence we are able to maintain near normal production barring a few instances, which we will elaborate upon shortly.

Logistics considerations have been complex due COVID-19, however, thanks to our Plants and Supply chain teams working tirelessly, we have been largely successful in mitigating these challenges. These include several measures we undertook recently to further diversify our supply chain through initiatives such as alternate vendor development. We have ensured adequate stocks of all key raw materials in our businesses, along with the security of future supplies. Our strong supplier relationships and engagements have ensured that we have not yet witnessed any significant variation in the availability and purchase prices of key raw materials. We have been taking proactive and preventive measures to protect the health, safety and wellbeing of all our employees and their families, business partners, and local communities during these challenging times while maintaining safe and reliable operations. We have implemented several measures to protect the health and safety of our workforce while continuing to deliver products as well as medicines for patients who need them. These actions include a mandatory work-from-home policy for our global workforce who can perform their jobs from home as well as restrictions on business travel, workplace, and in-person meetings. As it relates to manufacturing personnel, we are taking every precaution to ensure the safety and health of our workforce who are coming to each of our sites to perform business-critical activities. We are following the direction from local health and government authorities in the various geographies and continue to monitor the situation closely and update our measures as appropriate.

With this, I would like to request Pramod to talk about the impacts on our Pharma business followed by Rajesh to discuss the LSI business. Over to you Pramod.

**Pramod Yadav:**

Thank you Alok and Good evening everyone. In our Pharmaceuticals business, we continue to execute in our ability to supply medicines to our customers and healthcare providers. We are diligently monitoring our manufacturing and supply facilities in the United States, Canada and India. While we have had some disruptions, we are happy to state that largely we have been able to keep the plants running and producing the medicines and not disrupt their supplies to the Healthcare sectors across geographies. Currently, we hold adequate amount of safety stock at appropriate levels based on anticipated needs.

On the demand side, as of now, we have not witnessed any significant impact on most of our businesses and we continue to provide important medicines to serve those healthcare providers and patients with urgent and significant treatment needs. The businesses where we are seeing some impacts are the Radiopharmacy and Allergy Therapy business where hospital visitations and visits to Allergists have seen some reductions. We are monitoring these very closely and will have a better update during the Q4 earnings call.

Let me now share some good news on the regulatory front. Our Solid Dosage Facility at Salisbury, Maryland USA has received the Establishment Inspection Report (EIR) with Voluntary Action Indicated (VAI) status from the USFDA in respect of the inspection conducted by the regulatory agency from February 24, 2020 to February 28, 2020. With the receipt of the EIR, the inspection stands successfully closed.

The Nanjangud API Plant Update: I would also like update you that our API Nanjangud plant, operations have been temporarily suspended for few days due to the positive testing of few employees at the plant for COVID-19. The Company assigns utmost importance to the Health & Safety of its employees as well as of the nearby community. We are taking all necessary precautions, including sanitizing the facility, ensuring quarantine of all the employees, and importantly, following Government protocols. To facilitate the wellbeing of our employees, we are arranging food and other necessary items. Additionally, our CSR team are in the field, spreading awareness and ensuring the safety of the community. This includes distributing masks and soaps/ sanitizers and providing all the help and support to the community and the local administration. We are taking further steps to these existing measures to prevent such cases at our other facilities/offices.

We do not anticipate that the situation will have a material impact on the company's performance at the consolidated level. Also, we have adequate finished goods at the API plant and also API at the Roorkee plant which will ensure that impact of this temporary suspension will be minimal.

With this, I would like to turn it over to Rajesh.

**Rajesh Srivastava:**

Thank you, Pramod. Good evening to everyone. As we all know, we are passing through an unprecedented situation due to COVID-19. My best wishes to you and your family to stay healthy and safe. I would like to give you an update on what actions we have taken at our end to maintain business continuity keeping in mind the health and safety of our employees and all other stakeholders. As early as 5th of March, when we started hearing early stage of COVID-19 spread, we have immediately taken several actions including stopping domestic as well as international travel of all our employees and restricting entry of visitors to all our facilities. Our employees were informed to report immediately in case they feel any early symptoms and take rest at home for next 14 days. In this regard I would like to thank all our employees, vendors, suppliers, customers for their co-operation with us, to implement these measures, to avoid any untoward incident.

Now, coming to our business, I am pleased to inform you that we continue to operate all our plants with large number of products manufactured by us are falling under essential commodities, which are being supplied to pharmaceuticals, food and nutrition industry, etc., In doing so, we have been abiding with all the necessary government regulations which are presently advised or may come from time-to-time to support fight against the pandemic spread. We have also been able to source raw materials globally to operate our plants with forward planning and maintaining adequate inventory and working closely with our suppliers. We undertook several measures in the past to diversify our supply chain through initiatives such as alternate vendor development. This has ensured that we have adequate stocks of all key raw materials in our businesses, along with security of future supplies. Our strong supplier relationship and engagement ensure that we have not yet witnessed any major variation in purchase price of key raw materials.

On the demand side, as of now, we have not witnessed any major impact on most of our business. Our global customers continue to operate their plants and have been asking for regular deliveries of our products. However, as you know logistics and transportation currently remain slow in India driven by the lockdown. However, now with the guidelines issued by Ministry of Home Affairs, allowing all essentials as well as normal truck movement, this should help greatly in facilitating movement of the goods in coming days.

Drug Discovery and Development Services Update: We are witnessing stable demand for our drug discovery and development services business from international customers. Both Noida and Bangalore sites are currently operational and working as per their service delivery plan. However, due to lockdown, we are witnessing lower employee's presence now which is improving day-by-day.

With this, we would like to conclude our opening remarks. We will now be happy to address any questions that you may please.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Veera from Abacus Asset Managers. Please go ahead.

**Rahul Veera:** Sir, I want to understand the demand side on the chemicals division for us. What is happening on that side, sir?

**Rajesh Srivastava:** So, as I said in my speech, most of our customers in international market as well as in domestic market, we have not seen any impact on demand except for some logistic disturbances in India. So, from demand side, we do not have any problem as of now. It looks that all our customers are needing material because they are operating. Even in Europe and US, we keep getting the customer requirements and orders. So we have not seen any setbacks in demand.

**Rahul Veera:** So where are we in the demerging process?

**Alok Vaish:** So on demerger, we have done the first step where we received the NOCs from the stock exchanges. We have filed the scheme with the NCLT. And as things stood before COVID, we were looking at timelines of maybe around July, August to get that completed. But with this COVID situation lockdown, and NCLT also in that mode, we might have to see some delay on that. So it is evolving situation depending on when the lockdown gets lifted up. And how quickly NCLT will be back online to look at things. I think there will be some bit of delay beyond a July, August timeframe is what we were expecting earlier.

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

**Nimish Mehta:** Firstly, just wanted to know, how much time will it take to replenish the required inventory imported from China? So, is there any likelihood of disruption there going forward? So far not is what I understand. How much of imported materials from China do we have and disruption?

**Pramod Yadav:** When the China had the lockdown over there, that time we really did not have any impact because we had the inventories. Immediately after the lockdown, we have been able to move the inventory through air. So on our Roorkee business, we did not see any impact because of China inventory. As of now from China all the plants more or less, they are operational, and we are seeing movement of material.

**Nimish Mehta:** But is it back to the old levels where they used to supply whatever inventory we required, are we back to that level or it is still not back?

**Pramod Yadav:** So, yes, one is that, we are not buying everything from China. In fact for the Roorkee plant our dependency on China is not much. And whatever we are buying from

China, on that for Roorkee we do not see any issue as of now, we are seeing the material.

**Nimish Mehta:** Second thing I wanted to know was, is there any absentees in the plant, whoever should be coming to the manufacturing, are they all coming, if not what is the rate at which the absentees that we have seen?

**Pramod Yadav:** So, if this question is for the pharma business, I can say that we are seeing some absenteeism in the Roorkee plant. Not much in our operations at North America. Of course, a little bit impact will be there, but not significant. And the Nanjangud plant I mentioned currently, the operations are suspended. For LSI business, I will turn over to Rajesh to give an update.

**Rajesh Srivastava:** Yes, so for chemical plant, as you know that, because of the lockdown we have really asked those employees to come where we have material to produce and where we do not need to produce, we are not running the plant. So, we are going as per the demand. So, we are actually not going full hog of production. So, we have to maintain the physical distancing, we have to take care of the safety of people. So, we ourselves are calling those people who are required to be in the plant and therefore in general employee strength in the plant is lower than normal. And this is exactly what we are doing very strategically wherever it is required to run our facility to meet customer demand, we are doing that.

**Moderator:** Thank you. The next question is from the line of Amit Goela from Rare Enterprises. Please go ahead.

**Amit Goela:** This is regarding your pharma operations. Unlike a lot of other companies you have a fair amount of operations based in US and Canada itself, where the situation is quite different, there is no lockdown there, but we keep reading a lot of things about US also. Could you throw some light on your US operations please?

**Pramod Yadav:** In US, we are seeing mixed response across our businesses. So, if you talk about solid dosage form, there we have not seen any impact on the demand rather demand has little bit gone up because there most of the products are the maintenance products and government as of now here has relaxed the prescription fill in timelines. So, people are buying a little bit more. On our Contract Manufacturing operations also similarly, we have not seen any impact of the demand, so there also demand remain fairly stable. We have seen some impact in our allergy business and we have seen some impact in Radiopharma business, because in both these businesses, the products also have use for the elective diagnosis where as of now in the medical system, there is too much of the pressure, so all those diagnoses are being postponed.

**Amit Goela:** But you are not experiencing any issue in your dosage or your Contract Manufacturing?

**Pramod Yadav:** That is correct.

**Amit Goela:** And no issues in running the plants and all that also regarding this?

**Pramod Yadav:** No, so as Rajesh said earlier, all those employees who can operate from home, we have already asked them to operate from home. Those who require to be at the place of manufacturing, those employees are coming and we are running operations successfully as of now.



- Moderator:** Thank you. The next question is from the line of Tushar Manudhane from Motilal Oswal. Please go ahead.
- Tushar Manudhane:** Sir, just would like to understand the capacity utilization currently given the less number of employees coming at the plant level?
- Pramod Yadav:** So for the North America, I will say that in all the manufacturing locations, the business is running as usual, we have not seen any impact on capacity utilization than what it was previously. For the pharmaceuticals Indian operations Nanjangud plant operations are suspended as of now and for the Roorkee plant because of the lockdown some of the employees do face problem in reaching at the operations, so that plant is as of now running a bit lower than the capacity. For the chemicals plant I will ask Rajesh to give update.
- Rajesh Srivastava:** It will be difficult to quantify because the employee strength changes almost on daily basis. So, when the lockdown happened, there was immediate impact, but thereafter, day-by-day we are seeing improvement because now slowly, slowly things are stabilizing, government has given the permission, pharma as such coming into the essential commodity, so, the government has issued the passage, we are bringing employees through the bus. So we are making all the arrangements by which those employees who are needed to be at the place of operations are able to reach. We have taken permission from the state magistrates to bring all those employees by the bus, drop them again by the bus and ensuring even that all the social distancing norms are being maintained. All those arrangements are paying the dividend and day-by-day capacity utilization is improving, but it is not yet optimal.
- Pramod Yadav:** On LSI side, again, it is very difficult to talk about product wise, but in general, as I explained you, that we are first prioritizing that all our dispatch taking place, the customer demand starts moving out. So currently, as you know, we are facing challenges on logistics. So, the government is working overnight to really help businesses to start moving material and last four or five days we start seeing that now the material is moving. You may be aware that now domestic movements is very smoothened, but still we are facing challenges at the port level in India. So therefore depending on what material is moving out, we are operating our plant. So, it is very difficult to say what percentage is product wise, but one thing I can assure you that as and when we get opportunity of dispatches, we move the material and we replace by production. So that is the way we are running our facility. But I cannot tell you that we are meeting 100% of our customer demand mainly because of logistic challenges which I am happy to share that there is a significant improvement in last three to four days. So I am very hopeful that going forward, things will smoothen and our plant utilization will keep improving.
- Tushar Manudhane:** Apart from social distancing, any specific measures we are taking so that whatever happened at Nanjangud plant do not repeat at any other plants?
- Rajesh Srivastava:** So, let me tell you some of them like we are doing 100% temperature monitoring, right, so, that is happening, some of our employees who are coming from outside, we are keeping a full track of their movement and we are asking them to declare that they are not going and meeting anyone and then we are making sure that some of the people who are coming by the bus, we earlier used to run one bus, now we are running three bus as against one bus so that everybody can sit in distance and every day these buses are being sanitized, at the plant level, we have asked people to do washing of hands two to three times in a day and there are availability of sanitizers at every plant and also earlier we used to offer food in the canteen, now we have

closed the canteen for sitting and eating, we have asked the canteen person to pack the food and we are giving packed food to the employee at his workplace and we are not offering tea in the group. So lot of initiatives and actions which can led to keep physical distancing but the operation running has been taken care, there are minute work has been done by the team to ensure that we can run the operations safely.

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

**Alankar Garude:** Thanks for hosting this call. Firstly, can you help us understand the debt repayment schedule for the next few years?

**Alok Vaish:** At the pharma level, we have bonds which are outstanding; two tranches of \$200 million each; the first tranche was raised in 2016, that comes up for repayment in October 2021, about a year and a half from now; and then the second tranche was raised in 2019, and that obviously will go on till 2024, so there is a fair bit of time there. So in terms of debt repayment on the pharma side, that is the only significant part that comes up here. On the LSI side, we have just refinanced our NCDs repaid now through the bank debt that we had raised. So there is a fair bit of time on those. Those again get staggered in terms of repayment over a three, four-year timeframe, and then rest is just the working capital.

**Alankar Garude:** Secondly, with so much of uncertainty, are you looking to scale back on your Capex plans for FY21? And also if you could just help us understand if there are any cost control initiatives which you are thinking about?

**Alok Vaish:** So on the Capex, for sure, given this uncertain environment, I think we will be looking at everything with a lot more sharper focus, and our intent would be right now to maintain enough liquidity for the business that we will try and make sure we only kind of take care of maintenance and regulatory Capex. Any new Capex, obviously, will be kind of put on hold for some time till there is some bit of confidence back in the economy and the business from outlook perspective, I think till the time we will try and hold back on these Capex. So, it is a developing situation. As things stand today, that is our philosophy. But hopefully, things will turn around fast and we will look at revisiting these decisions.

**Alankar Garude:** And sir anything on the cost side... did we have any plans before COVID-19, is there anything else which you are thinking about?

**Alok Vaish:** So obviously there have been cost improvement plans, is a continuous exercise, it is not a one-time exercise, which we continue to do on a regular basis even without this COVID. So both in terms of our sourcing, in terms of our factory overheads, all of those, it is a continuous business excellence exercise that we run. I can ask Pramod or Rajesh to comment on any specifics on those.

**Rajesh Srivastava:** In terms of cost, as Alok has stated that we are continuously working on business excellence, to be competitive in each of our product. Actually, at this moment we are not seeing any key business interruption because, on the contrary, as I said, specifically I can talk about the Life Science Ingredients business, our customer demand is stable and our customers in Europe actually are looking forward more and more to source material from us in comparison if they have option to buy from China. So, we are finding that if we can sustain this period of COVID spread, we will be in a position to come out further stronger and I do not see that we will have any



major disruption in business to be worried. But having said so, as Alok said, our cost competitiveness/ reduction exercise is a continuous process.

**Pramod Yadav:** We have this huge program of business excellence under which we use various tools like Six Sigma, Lean, TPM, etc., We have the master black belts and black belts, green belts, the yellow belts, there is a huge program of the training on using all these tools through which each department takes various projects and we look at each and every efficiency improvement and each and every opportunity to bring down cost and make the processes modeling. It is an ongoing exercise and we year-on-year have seen continuous improvement into that in our overall performance.

**Alankar Garude:** Specifically on the LSI business, now with crude falling so sharply, how should we think about the profitability in this business?

**Rajesh Srivastava:** When the crude goes down, some of our raw material prices go down, as you can see that acetic acid price has gone down. Now, in our commodity Life Science Chemicals business, though the price pass on happen, but there is a lag which is about a month or one and a half month, and that is why whenever the price falls down, sharply, we see some negative impact in our Life Science Chemicals business. But having said so, because the prices pass on, after that period of 45-days, I think the business comes around with similar profitability. So this is a continuous. We keep watching that price falling of acetic acid which impacts our LSC business for some period, which is a lag period. But apart from this, other businesses, the raw material price going down actually gives us positive impact because, other products like Specialty Ingredient and Advanced Intermediate, most of our prices are also either quarterly committed or annually committed. So, there any reduction of raw material prices impact us positively. So, in overall I do not think it makes a huge difference in our profitability of Life Science Ingredients business if the crude is falling so much.

On demand side, if there is a disruption then the profitability get impacted, which we do not see as of now because product like ethyl acetate which is also a large commodity today is being used because packaging industry in India has been declared as an essential commodity industry and ethyl acetate is used in very large volume in packaging industry and also in pharma industry. So, both these big industries are actually into essential commodity. So, therefore, I do not see demand disruption or price reduction in Ethyl acetate, demand is stable now. So the demand side, if you see Ethyl acetate, which is very quickly affected because of price reduction in acetic acid, is also the product today is going strong because of packaging industry and pharmaceutical industry is still operating as essential commodity product. So, as of now, we do not see the demand reduction. However, as I said that whatever impact we will see it will be mostly because of logistics and material movement. As of now, we are not seeing the reduction in the demand for these products.

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

**Ranvir Singh:** I understand demand side it remains where it was, but from perspective of supply side, are we witnessing any issues in transporting materials in US to your distributors or other customers?

- Pramod Yadav:** Pramod again. So in the US, we have not seen any issue on the supply side, though like few of the flights have been discontinued, but the commercial flights are still operating. We haven't see any impact so far.
- Ranvir Singh:** We are in last week of March, because the situation is prolonging or situation is not improving there in US, so have we done any assessment the kind of impact we can see if that situation goes on for example up to end of April?
- Pramod Yadav:** So we are doing the assessment almost on a continuous basis and as long as commercial flights will be operating, we do not see any impact on the supply chain as of now. So, most of the places from where we bring the material into the US, at those places the plants are operating. The only problem will come if the government takes the decision to even halt the commercial flights. If that happens, then yes, some of the logistics will get impacted. So, we continue to watch the situation.
- Ranvir Singh:** Like in sartan market, earlier we had a very good position there, so, what is the current scenario now -- we keep on holding our market share or we have seen any changes there?
- Pramod Yadav:** So, on the sartans, if you remember in our last earning call, we mentioned that most of the problems of the nitrosamine impurities in the Nanjangud plant have been resolved and we had started moving material. So, with that our market share in the sartans has only gone up.
- Ranvir Singh:** In Nanjangud, what is the status on US FDA's compliance issue?
- Pramod Yadav:** So the Nanjangud plant was under (OAI) Official Action Indicated and it remains at that status, it did not escalate to the warning letter. It was a co-inspection by Health Canada and US FDA. Last quarter we had the audit of TGA Australia, who had a mutual collaboration with Health Canada. The audit went extremely well and TGA Australia gave us GMP A1 rating, by which Health Canada has already removed the OAI status. As far as US FDA is concerned, we were expecting them to come for the audit but now for them also travels are restricted. So, we are exploring opportunities, we are engaged with US FDA to see that how they would like to go ahead into the process
- Ranvir Singh:** Because Q4 is almost over, in Q1, would you like to quantify the kind of impact we can see in terms of loss of revenue or on margin, if you could guide something?
- Pramod Yadav:** So, the Nanjangud plant as of now is expected to resume operations sometime in mid of April in a normal way. So, if operations are resuming in mid of April, we really do not see any much impact on Q1 performance because of this, because we already have stocks of the finished goods, we have stocks of the raw material. So as soon as authorities allow us, we will start the operations and then the plant at capacity. There will be minimal impact, but not substantial, but not of material.
- Moderator:** Thank you. The next question is from the line of Kunal Randeria from Antique Stock Broking. Please go ahead.
- Kunal Randeria:** Sir, you mentioned that Nanjangud plant has been temporarily suspended for operations. So I just want to understand a bit more on what will happen next. Do the employees have to be quarantined for 14 days? What are the authorities requirements needed to restart production?

- Pramod Yadav:** So employees have been quarantined for 14-days. And during those 14-days if they do not develop the symptoms and they are all right, authorities will be allowing them to move and come to the manufacturing locations. The plant as of now since operations are suspended, so once we will resume the operations, we will have to do complete protocol which is required to resume the operations like doing calibration of all the instruments, etc., again, that will take maybe a couple of days and then plant will be back to normal.
- Kunal Randeria:** I mean, what are you trying to say is after 14-days the plant can get back to normal potentially.
- Pramod Yadav:** Yes, that is what is the assumption as of now, but we continue to monitor the situation because the virus issue in India so far remains very much under control in comparison to what is happening elsewhere in the world, so, we need to keep on watching the situation.
- Kunal Randeria:** Has the FDA given any set of guidelines on how to manage this?
- Pramod Yadav:** There are set quality protocols when a plant is being shut temporarily like this and when the plant has to be started. So we have a detail SOP on that and our team is already working to do all the planning to ensure that in the minimal time, we are able to bring back the operations to normal following the entire SOP and all the protocols.
- Kunal Randeria:** The protocol the FDA has set are quite similar to what Indian health authorities have given were the timelines are same?
- Pramod Yadav:** I will have to get into specifics of that, that what is the difference in the protocol of the Indian FDA and US FDA, but I believe in terms of the safety to the patient, ensuring that the products are manufactured as per the process and as per the specifications, I will believe that the guidelines will be more or less on the similar lines. But if you are asking a specific difference, probably I need to check that.
- Moderator:** Thank you. The next question is from the line of Deepika Mehta from Axis Bank. Please go ahead.
- Deepika Mehta:** My question is the government announced the packages of about 10,000 crore for developing Bulk Drug Parks across the country and providing production linked incentives. So, how positive do you feel about that because we already have the Draft Pharma Policy in 2017, but it did not take off and how much impact do you think this announcement can make and what how much import on API can India cut because of this package?
- Pramod Yadav:** This is an extremely positive step by the Government of India in the right direction. So far the India has been depending a lot on APIs and some of the KSMs from China. Government has given a very lucrative package for the Indian industry to develop those products within India. This package will definitely lead to people making investments in those areas where they have been agitating because of the price competition from China. So, for some of the products, we are also in the process of doing the evaluation where we can expand our capacities or we can get into the manufacturing of a few of the APIs or the KSMs and take the benefit of this package. It is too early to say whether how much we will be able to do. But we are doing the evaluation like many other pharma companies in India must be doing that and then ultimately it will lead to more of the production of APIs and the relevant KSMs in India and bring down dependency on China.



**Deepika Mehta:** And how much would that be, any sort of rough number?

**Pramod Yadav:** I will tend to believe that the pharmaceutical industry will be able to take advantage of more or less the entire package which has been announced by government

**Moderator:** Thank you. The next question is from the line of Jigar Shroff from Financial Research Technology. Please go ahead.

**Jigar Shroff:** I am sorry I joined a little late. I just wanted to clarify, did you all mentioned anything related to pledge share issues of promoters having been sold in the market in the last one month or so?

**Alok Vaish:** There is not anything on that.

**Jigar Shroff:** And how much of the promoter stake would be pledged at this point of time?

**Alok Vaish:** Nothing on the jubilant Life Sciences side.

**Jigar Shroff:** So the entire promoter stake is zero pledge, right?

**Alok Vaish:** Yes.

**Moderator:** Thank you. The next question is from the line of Sandeep Baid from Quest Investment. Please go ahead.

**Sandeep Baid:** In your initial remarks, you had mentioned EIR for one of the plants. Can you again talk about it? I missed that comments.

**Pramod Yadav:** I was talking about our solid dosage specialty in US in Salisbury where we had inspection by the US FDA in Q4 and there we have received the EIR as (VAI) Voluntary Action Indicated. With that, the inspection stands closed.

**Moderator:** Thank you. The next question from the line of Kunal Mehta from Valum Capital. Please go ahead.

**Kunal Mehta:** I wanted to understand sir barring the current situation with respect to COVID, how do you see the Radiopharmaceuticals business going forward for the next few years? We have taken a few steps to grow this business in the last few years. We acquired Triad and we are planning to forward integrate into the distribution of radiopharmaceuticals and even in December we saw very positive rolling on Ruby-Fill. So, can you just give an understanding of how do you see this Radiopharmaceuticals business in the coming times, your views?

**Pramod Yadav:** In terms of our strategy for Radiopharma business, nothing has changed, the strategy remains as robust and as strong as we have been indicating in the past. And with very favorable outcome on the Ruby-Fill litigation, we were in full mode to implement that strategy very aggressively. So three things on that front -- One is we need to continue to grow Ruby-Fill and need to continue to install that at more and more sites. Other than that, we have a very robust pipeline of the development of products. And those products continue to run on the schedule. And third is our forward integration of the pharmacy business, by which we are able to distribute the product and have connect with the end customer directly. So on all the three fronts, we continue to move aggressively. Other than that, we are also looking at



opportunities to get into agencies or acquiring more of the products or the technologies, that we will continue to evaluate.

**Kunal Mehta:** In terms of forward integration with Triad, can you give us further understanding of how are you planning to do that, I mean, what will be the strategy to do that in the next two, three years, how are we going to leverage Triad acquisition?

**Pramod Yadav:** So, the Triad acquisition is already integrated completely within the Jubilant system and both the businesses are now integrated in terms of the pharmacies as well as pharmaceutical manufacturing. Integration has already happened. Our plan is now to grow our own distribution network. So opening up more of the pharmacies at the location where we are not, and also at the same time refurbishing the existing pharmacies to ensure that they are ahead in terms of the quality compliances. So, we are making investments on that business which will help us to bring our all the pipeline products in the market with a much higher market share.

**Kunal Mehta:** What are your Capex plans for this? So, you mentioned that you have to open some new pharmacies. So would this be capital-intensive or since we have to pay down debt in October '21, we would now go a bit slow on Capex and improve our free cash?

**Pramod Yadav:** I will ask Alok to deliberate on this repayment part. But as of now, the plants whatever we have made for the capital investment and the cash what we have available with us, with that we do not see any issue on the repayment as well as executing our capital investment plan.

**Moderator:** Thank you. The next question is from the line of Ravi Sundaram from Sundaram Investments. Please go ahead.

**Ravi Sundaram:** Good evening Sir, I missed the pledge part which was asked earlier. So what is the percentage of promoters pledge?

**Alok Vaish:** As I said, there is nothing on the pledge front that we need to discuss on this call.

**Ravi Sundaram:** My second question is on the Specialty Pharma business. So, when globally all the hospitals are focusing on treatment of corona patients, how much of utilization actually goes into the products that are part of Specialty Pharma?

**Pramod Yadav:** Specialty pharma contributes a little more than 50% of our overall revenue. And since hospitals currently are focusing more on the COVID-19, so some of the products which are being used for elective diagnosis, there the hospital is also asking patients to postpone and the patients are also avoiding the visit to the hospitals. So, for those products, we are seeing some difference in the demand. But we expect that as soon as the situation normalizes, all this demand to bounce back.

**Ravi Sundaram:** Last question on Debt, How much is the dollar-denominated debt because rupee has been depreciating, what is our impact?

**Alok Vaish:** It is about \$400 million which is in bonds, and about \$30 million or \$35 million of working capital facility. But all of this is outside of the country and all of this will be repaid through dollar proceeds from the business. So, there is not really any impact on the overall business from a Forex perspective.



- Moderator:** Thank you. The next question is from the line of Tushar Manudhane from Motilal Oswal. Please go ahead.
- Tushar Manudhane:** Just to understand this, on the Radiopharma side, there are some nature of the products on the raw materials to be used. So now that patient flow has reduced. Will that have any impact on the raw material cost?
- Pramod Yadav:** So, I mentioned that the patient flow is kind of deferred. So, a bit of the deferral will not cause of the major issue. So, as of now, we do not see much impact.
- Tushar Manudhane:** Any broad kind of timeline you can help us understand let us say, if this continues for a month, there will not be impact, but if it goes beyond a month or two months, then the raw material cost will have to get returned? Any timeline you can help us with?
- Pramod Yadav:** We do not see any issue on that front. Yes, we do have the commitments for the raw materials, but everything is covered under force majeure clauses. So if we do not have the consumption, we do not have to buy that much of that raw material. So we do not see any issue on that front.
- Alok Vaish:** On the pharmacy side, it is pretty much just in time and material supply given the short shelf life of the product where the visitations come down to that extent, then obviously we will source lesser material from that perspective as well.
- Moderator:** Thank you. The next question is from the line of Charulata Gaidhani from Dalal & Brocha. Please go ahead.
- Charulata Gaidhani:** I wanted to know how you are ensuring continuity in the CRAMS business?
- Rajesh Srivastava:** So, in DDDS, our order position is strong as usual, but because of this disruption, a few days we had to really struggle, our employee could not come, but I think after three, four days, our facilities started operating, our employees selectively keeping the physical distancing in mind and hygiene, health of people, operation is running, but of course, the number of scientists which we are having in the site is less than what it should be usual. Depending on what is necessary and required to run our services, we are calling scientists and we are running partially our operations depending on the priority because we cannot run the discovery business with full operations because we have to also maintain the physical distancing and also hygiene, health and safety. So, it is running but yes, at a reduced level.
- Charulata Gaidhani:** So what is the kind of impact that you would expect in Q1?
- Rajesh Srivastava:** We are hopeful that we should be in a position to improve on the turnaround of people and in terms of people coming to office and we can really see things improving. To the extent I can tell you today is the impact will be to the tune of lockout period which is till 14th. So I would say on the quarter wise, it will have not a very significant impact, but there will be impact. Very difficult to justify in terms of percentage right now.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Alok Vaish for closing comments.

**Alok Vaish:**

So thank you, everyone for taking the time out from a busy schedule. We would like to highlight that Jubilant Life Sciences and its businesses are fully committed to the health and safety of our employees, customers and stakeholders. And we understand the increasing spread of the coronavirus is of concern to everyone. We want to assure you that we are closely monitoring this ever changing situation and are taking all necessary precautions while continuing to execute on our operating discipline. While this is challenging time, but we believe we are in a pretty good position. And it is an evolving situation, but based on things as they stand today, we want to reassure you that we are running the business to the best of our abilities and hopefully we will come out much stronger from this challenging situation. We would also like to take this opportunity to thank all our employees, customers, vendors, government authorities, all the stakeholders in this challenging situation, whoever helped us and support to continue to grow the Jubilant business. Thank you everyone. I appreciate your time.

**Moderator:**

Thank you. On behalf of Jubilant Life Sciences Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.