Jubilant Pharmova Limited
Q4 & FY21 Earnings Conference Call
June 04, 2021

Hemant Bakhru: Good evening everyone. Thank you for being with us on our Q4'FY21 earnings conference call. Please note effective 1st February 2021, the Life Sciences Ingredients business stands demerged to Jubilant Ingrevia Limited and has been classified as Discontinued Operations in the results.

I would like to remind you that some of the statements made on the call today could be forward-looking in nature and a detailed disclaimer in this regard has been included in the press release that has been shared on our website. On the call today, we have Mr. Shyam Bhartia – Chairman; Mr. Hari Bhartia – Co-Chairman and Managing Director; Mr Arvind Chokhany - Group CFO, Mr. Pramod Yadav – CEO, Jubilant Pharma; Mr. Marcel Velterop – CEO, Jubilant Biosys, Mr. Syed Kazmi – CEO, Jubilant Therapeutics, and Mr. Arun Sharma – CFO, Jubilant Pharmova.

I now invite Mr. Shyam Bhartia to share his comments. Over to you, sir.

Shyam S. Bhartia: Good evening everyone. I hope you all are in good health and keeping safe

With the demerger of LSI business into Jubilant Ingrevia effective February 1, 2021, the Company's consolidated results for Q4'FY21 include only one month of LSI business and consolidated results for FY21 include only ten months of LSI business

For FY21 our continuing operations, despite COVID-19 challenges, revenues were stable due to a diverse range of businesses. CDMO and Generics grew though we saw impact on radiopharma and had production impact at the Nanjangud API plant

Specialty Pharma segment especially radiopharma was impacted due to COVID-19 and competition in radiopharma. We continue to maintain majority market share in our products and have long term contracts in place. In radiopharmaceuticals, we are expanding our product pipeline with strategic partnerships and have begun to execute a detailed turnaround plan of radiopharmacy business. CMO and Generics delivered strong growth and we plan to expand capacity in CMO and enhance number and complexity of products under development in Generics

Contract Research and Development Services business witnessed strong year-on-year growth in revenues led by healthy demand from customers. We are doubling our chemistry research capacity that should commission by Q2'FY22

Despite COVID-19 related lockdowns, we have been able to ensure continuity in most of our manufacturing operations across all business segments while at the

same time ensuring safety of our employees. I take this opportunity to thank all our employees who have worked tirelessly across all our plants and offices to ensure continuity in company's operations, while continuing to serve our global customers

With this, I handover to Pramod to discuss the Pharma business.

Pramod Yadav: Thank you, Mr. Bhartia. A very good evening to all of you.

Pharmaceuticals revenue was at Rs 1,486 Crore vs. Rs 1,483 Crore in Q4'FY20

Radiopharma was impacted due to lower procedures especially related to lung scans due to COVID-19 and competition. Despite the competition, we continue to maintain majority market share and have long term contracts in place

The decline in procedures and increase in competition has impacted growth and EBITDA margins in both radiopharmaceuticals as well as radiopharmacy business. Majority of the impact is due to reduction in procedures related to COVID-19 where we expect a gradual recovery

Regarding Ruby-Fill litigation, the Company received a favorable and unanimous judgment from the United States Court of Appeals summarily affirming Jubilant's earlier favorable rulings from the US Patent Office ("PTAB") and the US International Trade Commission ("ITC"). These two rulings by the Appellate Court deny the appeals filed by Bracco Diagnostics, Inc ("Bracco")

We are further enhancing marketing and business development efforts for Ruby-Fill in the US and expect ramp of installs starting Q2'FY22, if the COVID-19 situation continues to improve. Ruby-Fill was commercially launched in Europe in Q3'FY21. We are expanding the distribution network for Ruby-Fill in EU

We continue to build a long term pipeline of radiopharmaceuticals including Generics as well as Proprietary products being used as Diagnostic, Therapeutic, Theranostic and Devices, via in-house R&D as well as strategic partnerships with key nuclear medicine companies. We expect one product launch in radiopharma in FY22

We are executing a detailed turnaround plan of radiopharmacies to grow top line strongly with new customer wins, expand network to service newer geographies and enhance cost and procurement efficiencies

Allergy business volumes had normalized to 100% of pre-COVID levels during Q2'FY21 though came down in Q3'FY21 and remain at 90-95% of pre-COVID levels due to enhanced restrictions. This running quarter we are seeing them back at pre COVID levels

CMO business revenue grew based on strong demand from customers as well as COVID related deals. Against Rs 500 Crore in revenues indicated earlier from the five CMO deals signed in FY21, we realized around Rs 535 Crore. In FY22, we expect these deals to contribute to further revenues of approximately Rs 200 Crore

We have announced expansion of Spokane site via addition of a high speed injectable fill line with isolator technology, which will enhance its capacity by 50%. We expect to bring it under commercial operations by end CY24

We successfully completed safety and pharmacokinetic/absorption studies in animals and healthy human volunteers for novel oral sublingual formulation of Remdesivir

EBITDA for the quarter was at Rs 366 Crore as compared to Rs 429 Crore in Q4'FY20

In March 2021, our Spokane facility was inspected by the US FDA with zero observations

US FDA also inspected Roorkee site in March 2021 and made observations related to manufacturing control and systems. The Company is closely engaged with the US FDA to ensure resolution

Nanjangud (API) manufacturing facility has already completed remediation measures w.r.t the Official Action Indicated (OAI) issued by the US FDA. We are awaiting US FDA inspection

We are confident that our remediation efforts and engagement with the US FDA will soon resolve the OAI and Warning Letter status of our two manufacturing sites

With this, I hand over to Marcel to provide insights into the Contract Research and Development Services business.

Marcel J. Velterop: Thank you Pramod. Our Contract Research and Development Services business, under the Jubilant Biosys brand, continued to deliver a very healthy performance during Q4. This was driven by strong demand from biotech companies for our integrated discovery as well functional services, such as chemistry, scale-up, DMPK and Discovery Biology and Clinical trial data management support trough Trial stat, Canada

The business has a healthy pipeline of new contracts and customer acquisitions for FY22. Q4'FY21 revenue as well as EBITDA grew by 25% YoY. FY21 revenue grew 21 % YoY and EBITDA grew 27% YoY.

As we informed in the previous quarter, the business has committed investment to double the chemistry research capacity in Greater Noida. The project is progressing well, despite some head wind due to the pandemic surge and we expect the facility to be ready by Q2'FY22.

With this, I now hand over to Syed to discuss the Proprietary Novel Drugs pipeline.

Syed Kazmi: Thank you Marcel. In our Proprietary Novel Drugs business, we are developing a pipeline of first-in-class and best in class agents to deliver precision medicines focused on addressing unmet medical needs in the area of oncology and auto-immune disorders. We are also leveraging our industry-validated drug discovery platform to identify novel promising assets and move them from discovery to development on an accelerated timeline

Our first-in-class LSD1/HDAC6 Dual inhibitor addresses multibillion dollar market segments in hematological malignancies and solid tumors, and is undergoing Investigational New Drug (IND) studies with a goal to file INDs and initiate first in human clinical studies in H2'FY22

2 more programs are following this lead: a first-in-class PAD4 inhibitor targeting auto-immune disorders such as Rheumatoid Arthritis, and a best-in-class PRMT5 inhibitor, which uniquely shows both blood and brain exposure and therefore can address blood based tumors like leukemia/lymphoma and brain tumors like GBM and brain metastasis. IND filings for these two programs are planned over the next 12-15 months

The US biotech market is witnessing very strong investor interest in precision therapeutics in oncology and auto-immune diseases based on the recent equity raises at attractive valuations. In our Proprietary Novel Drugs business, we are developing very high potential and first in class assets in these areas. Four of our assets under development are at an advanced pre-clinical stage and would transition to the clinics starting early next year. The Company is working towards creating shareholder value in this business through a private / public equity raise during coming 18-24 months

With this, I now hand over to Arun to discuss the financials.

Arun K. Sharma: Thank you, Syed.

A very good evening and I thank everyone for taking out time and joining us on our quarterly Earnings Conference Call. I would like to highlight the Company's financial performance during the quarter and full year ended March 31, 2021. As the LSI Business stands demerged from Jubilant Pharmova effective from Feb 1, 2021, I would cover performance of our Continuing business, which includes Pharmaceuticals, Contract Research and Development Services and Proprietary Novel Drugs.

Q4'FY21 Financials

Revenue from Operations during the quarter was at Rs 1,580 Crore as compared with Rs 1,568 Crore in Q4 last year. Pharma revenue was at Rs 1,486 crore vs. Rs 1483 Crore in Q4'FY20, while Contract Research business reported revenues at Rs 94 crore as compared with Rs 75 Crore during Q4'FY20.

Reported EBITDA during the quarter was at Rs 381 Crore as compared with Rs 455 Crore in Q4'FY20 with margin at 24.1% vs. 29.0% in Q4'FY20. Depreciation & Amortization expense during the quarter was at Rs 86 Crore vs. Rs 98 Crore in Q4'FY20. Finance cost during the quarter was at Rs 43 Crore versus Rs 47 Crore in Q4'FY20, a reduction of 8% YoY. Average blended interest rate for Q4'FY21 was @ 4.82% as against 5.33% in Q4'FY20. This reduction in interest rate was on mainly account of replacement of 4.875% bonds with substantially lower cost term loans. Reported PAT during the quarter was at Rs 173 Crore as compared with Rs 212 Crore in Q4 last year. EPS for Q4'FY21 is Rs 10.9 per share versus Rs 13.3 per share in Q4'FY20.

FY21 Financials

For FY21, revenue was at Rs 6,099 Crore versus Rs 5,976 Crore in FY20. Pharmaceuticals revenue at Rs 5,790 Crore vs. Rs 5,714 Crore in FY20. Contract Research and Development Services revenue was recorded at Rs 305 Crore against Rs 251 Crore in last year.

EBITDA for full year was at Rs 1,414 Crore for FY21 vs Rs 1,585 Crores in FY20. Depreciation & Amortization expense for FY21 was at Rs 349 Crore vs. Rs 340 Crore in FY20. Finance costs at Rs 184 Crore versus Rs 200 Crore in FY20.
PAT for the full year was at Rs 574 Crore versus Rs 678 Crore in FY20. EPS for FY21 is Rs 36.04 per share versus Rs 42.55 per share in FY20. Average blended interest rate for FY21 stood at 5.07% as against 5.39% in FY20.

We continue to focus on deleveraging and I am glad to mention that during the year the Company reduced its Gross Debt to Rs 2,600 Crore from Rs 3,361 Crore as on March 31, 2020.

Jubilant Pharma Limited in March 2021 redeemed the principal amount of US$100m out of US$300m Senior Notes due 2021 ("Notes"). This is in addition to the US$100m that was redeemed by the company in January 2021. With these two transactions, the company has completely redeemed the US$300m Senior Notes that were originally due in Oct 2021. Out of the total redemption of US$200m between Jan-March 2021, we have refinanced US$150m and remaining US$50m was paid out of company's cash balance.

The Company's net debt on a constant currency basis stood at Rs 2,018 Crore, a reduction of Rs 219 Crore as compared to March 31, 2020. We continue to have a strong cash position and expect to generate healthy operating cash flows during the year.

Capital expenditure, excluding R&D capitalization, was at Rs 276 Crore for the full year. For FY22, we plan to spend around Rs 700-800 Crore.

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

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Saion Mukherjee from Nomura. Please go ahead.

Saion Mukherjee: My first question is on Radiopharma. Can you share like what is the decline in Radiopharma in FY21? And at this point in time, what is the level of activity in terms of procedure versus the pre-pandemic level? And also some comment on competition in MAA as to what is the level of pricing and market share loss that you've experienced?

Pramod Yadav: As you mentioned, we had an impact for the Radiopharma business because of two reasons; one is the competition as you rightly mentioned MAA and other one is due to COVID. In overall impact, the contribution of the competition is much lower than the impact because of COVID and that is because the entire diagnostic procedures had come down quite a lot. And especially our two products got more impacted which are MAA and the DTPA because they are used for the lung perfusion and ventilation, where the patient has to breathe in and breathe out many times and during the COVID-19 pandemic situation was not considered very safe. Now, the COVID-19 situation in US is improving, we are seeing that the overall number of prescriptions what we dispense from our Radiopharmacy business, especially in last about a month or so, has come back to the pre-COVID levels. But, however, on the lung procedures where most of the patients and the physicians have shifted to the alternate procedures and there we are seeing that the recovery could be little slow. We are also watching the situation and we expect that the recovery should pick up. But that's where we are currently.

Saion Mukherjee: Any percentage, any level you would like to share like is it 50% lower, 60% lower or higher compared to the pre-COVID level, as far as the lung procedures are concerned?

Pramod Yadav: I'll say out of MAA and the DTPA, the DTPA was infected much more. For the DTPA product, at one point of time, the number had gone down as low as about 20% of the pre-COVID level which now is at about 50%. On MAA, the impact was not as sharp as the DTPA, but that was also impacted. And we expect that that should also start recovering, but the rate of recovery we have to watch.

Saion Mukherjee: Is there a possibility of a permanent damage in this market because of the pandemic because you mentioned about some alternate procedure, is that a risk that you see?

Pramod Yadav: See, the alternate procedures are not as accurate or as precise as a physician would like to see, especially for this lung imaging. So, yes there could be some impact but we expect it will be short term, not long-term.

Saion Mukherjee: My second question would be around the CMO business. You did mention about COVID-related upside that we can get. Also, I think you've talked about Rs 3,600 Crore of pipeline which will be executed over three years. This number looks pretty much on the higher side. If you can give more color as to what constitutes this pipeline and are we going to see healthy double-digit growth in CMO from here on?

Pramod Yadav: FY21 was a good year for the CMO because of these five deals which we did, which we indicated earlier that could bring upside of about Rs.500 Crore but ultimately it brought even more and we did about Rs 535 Crore in FY21 on those five deals. Those deals are still continuing and we expect that they will be generating about close to Rs. 200 Crore revenues in FY22 as well. Other than these COVID-related deals, other products also continue to grow. But you will see some swing into the CMO revenue in FY21 versus FY22. And in FY22 also quarter-on-quarter because these deals are the specific deals. The order book which we indicated is the visible order book which is already there and we have been saying that we have debottlenecked the capacity and had higher demand from the customers. So we continue to use our capacity and that's why we are going ahead and doing this expansion which we announced that we are putting another line and increasing capacity by 50%. This expanded capacity is not factored into this order book what we mentioned. When that expanded line will come, that will be on top of this.

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

Alankar Garude: Generic sales have come down quite a bit on sequential basis and lower Remdesivir sales could have been one reason and you also mentioned about a higher price erosion in the US. So can you elaborate on that?

Pramod Yadav: One reason you have already identified correctly that in Q4, we saw lower sales for Remdesivir because the number of cases in India has gone down quite a lot and also into the other countries for which we have the licenses. So that had an impact. In the US for some other products where we had positions, we have seen some competition coming up and then to retain the volumes we'll have to take some adjustments in the pricing.

Alankar Garude: You also talked about new launches through in-licensing and contract manufacturing. So what are the number of new launches which you are planning in

US in FY22? And broadly, this business has grown pretty strongly if I look at say the 9M FY21 and this quarter was steady. So how should we look at growth in this business in FY22?

Pramod Yadav: Since our Roorkee plant is currently under warning letter and we have the demand for the products. So, some products we are launching through CMO or in-licensing route and we expect that we should be launching somewhere between three to five products in this financial year. And as soon as the warning letter is lifted for the Roorkee site we have many ANDAs in the pipeline. Those ANDAs we expect to get the approvals and then we'll immediately start launching the products. So, overall, I see for the generic business from FY23 onward there will be quite a good uptick again. For FY22 probably we will be more or less at par with FY21.

Alankar Garude: Just one follow-up on this. For Salisbury, the CAPEX has been completed?

Pramod Yadav: Yes, that CAPEX is getting completed in this quarter. Some of the capacity already has come up and we have started utilizing that.

Alankar Garude: My second question is if we look at the CAPEX guidance, that seems quite steep. I understand that FY21 was abnormally low because we did some re-prioritization during COVID times. So, is it possible to break this CAPEX across the key areas and is the $92 million CAPEX which we have outlined in Spokane, a large part of that going to happen in FY22?

Pramod Yadav: The large part of that $92 million CAPEX will happen over next two and a half years, not in FY22 alone. But we are also doing expansions I mentioned about Radiopharmacies where we are going ahead aggressively to grow our top line and also expanding, plus we are also remodeling our existing pharmacies which will lead to the higher operational efficiencies there and also will lead to some of the network optimization where some of the pharmacies will start operating like hub-and-spoke models. So some CAPEX is going towards that, and the rest of the CAPEX is for all the businesses. We are also expanding the capacity for API through de-bottlenecking. So, some of the investment is going there also.

Alankar Garude: Would it be fair to say sir that a large part of this CAPEX is going towards the Radiopharma business?

Pramod Yadav: Not a large part, I will say Radiopharma is contributing to that CAPEX.

Alankar Garude: So, in this context, do we expect to generate free cash flow in FY22?

Pramod Yadav: Yes, we do expect that.

Moderator: Thank you. The next question is from the line of Sriram Rathi from ICICI Securities. Please go ahead.

Sriram Rathi: My first question is there any update on the application for the oral Remdesivir that we have been trying to get approval?

Pramod Yadav: We are continuing the human studies as of now and we are also engaged with the regulatory authorities for their approval. Beyond that as of now we will not be able to comment much.

Sriram Rathi: On this COVID-related CMO deals, we got around Rs.535 Crore last year and Rs.200 Crore this year. That is like one-time kind of contract or can there be additional revenue which may come later in FY22, FY23?

Pramod Yadav: See, that all will depend upon how the COVID-19 situation evolves and there are so many uncertainties around it. So, when the customers are committing the volume to us, they are also committing little cautiously. The numbers which we have indicated are for the volumes which are committed and then we have to watch how the situation evolves.

Sriram Rathi: Does this also include any manufacturing for the vaccine?

Pramod Yadav: We said that there are five COVID-related products. In that, some could be vaccine, some could be therapeutic.

Sriram Rathi: Can you share how has been the revenue growth or revenue number for the API business and Allergy Therapy products?

Pramod Yadav: For the Allergy, I mentioned that during the year that business was also impacted and there was some up and down in that and it was operating at about 90% to 95% of the pre-COVID level for most of the time. Now that business has come back to the pre-COVID levels because now in the US the situation has improved. And other than that, in that business, we are doing two things; one is that for the venom as such we have seen within the US the penetration level is low and there is a scope to grow the venom market within the US almost three to four times with more education and creating more awareness. Plus, for our products, venom as well as non-venoms, there's quite a huge potential outside US which we had not been focusing earlier because we had the limitation on the capacity. Now, that limitation has been taken care of. So, we are aggressively targeting to grow those volumes outside the US as well. So the Allergy business will continue to do well. With regard to API, you are aware that in FY21 for initially two and a half months, our plant was down. And in spite of that, we have done quite well in that business. If the plant was not down, we would have grown much more into API. We still see the traction. We have a good order book in the API as well. That's why we are de-bottlenecking the capacity. Hopefully, In India, the COVID situation should continue to improve and it should not impact the operation.

Sriram Rathi: Lastly on Radiopharmacy, is it possible to share because I think we mentioned that we are expecting the breakeven to next two to three years, how much loss would have been incurred in FY21 in terms of EBITDA?

Pramod Yadav: We mentioned earlier that we are not treating this business as a separately standalone business because it's merged with the Radiopharmaceuticals under one brand of Radiopharma, but, however, we are seeing there is quite a lot of scope to grow our top line there and to also have the operational efficiencies which I talked about, we are doing the remodeling of the pharmacies and that will help us to bring down the cost. We are also looking at procurement efficiencies. So, even if we treat that as a standalone business, we don't think that the business will continue to bleed more than two years.

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

Rahul Veera: A quick question in terms of Remdesivir and the pricing erosion on the Valsartan part, what would you attribute to the lower EBITDA margins this time?

Pramod Yadav: Both had the impact because the Q4 for India was quite good in terms of the number of cases being very low. So there was hardly any demand for Remdesivir, so that had an impact. And plus we had mentioned that there was also pressure on the sartans pricing.

Rahul Veera: In the medium to long term, assuming Radiopharma business comes back in terms of footfalls in the hospitals, so will it come back to 20% to 30% margins broadly in the pharma segment?

Pramod Yadav: I will say that the long-term strategy what we have in place, that's very rock solid and the way we are growing the business, the way we are planning the business turnaround on the pharmacy side, the way we are planning the business for Radiopharmaceuticals we had mentioned that we have a product pipeline, we are building a very good portfolio with many of the proprietary products, we are also bringing therapeutic products into it, we are doing quite a lot of innovation on the device side and we are also expecting that our NDA MIBG will get launched in close to two years' timeframe. So with all that happening, the overall EBITDA margin in the pharma over the next three to five years is going to be very healthy.

Rahul Veera: WHO has already removed Remdesivir from its list of recommended drugs for COVID. So further investments in the oral Remdesivir, what's your take on that?

Pramod Yadav: So, the product is still approved in the US as well as in India, where it is used for emergency use. COVID-19 uncertainties are there, India just went through a horrible time and the situation still has not improved. So, there's a demand of the product because the product is working well and the doctors are prescribing. For intravenous, everybody has to have access to the medical system, hospital system whereas now the COVID is going into the villages also, into smaller towns where everyone is not really access to intravenous, and that's where we are positioning this oral sublingual formulation which patient can take at home under medical supervision and need not go to hospital.

Rahul Veera: On the new Radiopharma product that we are going to launch, is it like going to create some synergy with the DTPA, MAA or can there be some cannibalization of the existing products?

Pramod Yadav: No, it will not be cannibalization of existing products, these are different products which have their own market and own market potential. So that will be the growth over this time around.

Rahul Veera: What will be the market size?

Pramod Yadav: For the products what we have in the pipeline in our own R&D, they have a market size of close to $300 million and our NDA, the MIBG will have the market size or the market potential of another close to $200 million plus. So this is for the products which are already there in the pipeline plus we are also now doing a lot of the partnerships and strategic deals. So we just made investment in the SOFIE which we announced. We also announced our strategic relationship with Isotopia and plus one or two more we announced. There are few more into the pipeline. So all that strategy is emerging and that will be on top of this extra.

Moderator: Thank you. The next question is from the line of Tushar Manudhane from Motilal Oswal. Please go ahead.

Tushar Manudhane: Just on the CDMO order book, I would like to understand, while it is serviced over three years, would it be like more front-ended, back-ended, how to look at it?

Pramod Yadav: You can safely assume it will be more or less uniformly spread over three years because that plant is running close to capacity.

Tushar Manudhane: Even in FY21 let's say if I exclude the five CMO deals related business, we were more or less flat and then incrementally Rs.200 Crore for FY22 and across the three, so Rs1,200 Crore. But then on the base business of Rs 1,500 Crore, how does that move?

Pramod Yadav: So, the COVID-related revenue will come down if the overall pandemic situation continues to improve and that's what the expectation is, but then other products revenue will continue to increase.

Moderator: Thank you. The next question is from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari: My question is on our R&D pipeline. If we look at this here, we have spent about 200 Crore but we did not any filing even we have not got many approvals. So just your thoughts on which area are we focusing on, what does the pipeline look like and what would be our filing be going forward?

Pramod Yadav: One is that there is quite a lot of the R&D expenditure has shifted from the Generics to the Specialty Pharma - for the Radiopharmaceutical business where we mentioned that they are products in the pipeline and we are expecting at least one launch in this year. There will be about at least two plus launches probably next year, so they all are coming. Plus on the Generics side, we have also moved up into the value chain and instead of focusing on the Vanilla Generic product, we are working on the Complex Generics or even the innovative generics within that business. So that development also takes a little time. And that's where the investment is happening, but pipelines are there in the R&D.

Pratik Kothari: Is it fair to assume that in the near future our growth up maybe for next one to three years will come in from the products that we have already filed and got the approvals and if we will launch RUBY-FILL in Europe and planning to expand there? You mentioned this year you are launching one more product in the US. I believe it will be from a product we have already filed and approved. So, in the near-term, the growth will come from the products that we have to optimize it, to grow it, to scale it and maybe in two, three years down the line we will see contribution from new products?

Pramod Yadav: If you're talking about the Generics, then I will say that once the Roorkee warning letter is lifted, our many of our ANDAs in the pipeline will start seeing the approvals and we will start launching those products. But other than that there is a huge focus and opportunity for us to launch our products in the non-US market including pharma emerging markets because we have a quite good product basket and in those countries we have done many of the filings and we are getting the approvals and we are going to launch those products. So we will continue to grow revenue into the US market as well as non-US markets. About Radiopharma, this one launch we are seeing, we have already filed the ANDA, we are expecting approval and then shall

launch the product. And the other products which we will be launching next year, then the ANDAs are very close to the filing stage.

Pratik Kothari: Last question on the specialty side. Now that most of the restrictions have been uplifted in US, we are seeing our volumes or walk-ins as what we used to see pre-COVID on our Radiopharmacy and Allergy business?

Pramod Yadav: So, I mentioned in Radiopharmacy and the Allergy business we are back to the pre-COVID levels. And in Radiopharmaceuticals, we mentioned in our speech that we will be ramping up now the RUBY-FILL installs as now the travel restrictions, etc., are being eased out. So, we will be starting quite a good ramp up of the installs, not only in US also outside the US. We got approval in the Europe and in fact we launched a product there. We are also engaging through a distribution network in Europe and plus other products which had gone down as the number of prescriptions which are getting dispensed are coming back to normal. So, we will also see the uplift over there for the radiopharmaceutical products.

Pratik Kothari: Sir, if you can quantify how severe or light has been the increase in competition on our Radiopharmaceutical business? We had highlighted this a couple of quarters back that the new player has come in and that might affect something and we are seeing a bit of effect at least in this quarter in terms of margin.

Pramod Yadav: We mentioned earlier that whenever in this business a Generic player comes, you have to give up close to 20%, 30% market share and I say what market share we gave up is on the lower side and you have to make minor adjustments into the pricing. So, the price adjustment also had not been very substantial. We got more hit because MAA as I mentioned is used for the lung along with the DTPA and the diagnostic procedures have gone down substantially as the hospitals were not taking risk for their staff. You can imagine if COVID-19 patient comes into the room and breathes in and breathes out multiple times with a good force, so that's not safe for the staff as well as the entire area over there.

Moderator: Thank you. The next question is from the line of Amish Kanani from JM Financial. Please go ahead.

Amish Kanani: Sir, if you can just give us a perspective on the cash and the net debt on the book? I see quite a bit of debt repayment also happening and cash and cash equivalent I think is about Rs.500-Crore plus if I am correct**.** Also, the question is given that we are also free cash generation company net of CAPEX, how would you give us some idea about the dividend distribution payout that we can expect over say medium-term?

Arun K. Sharma: Your first question was on the debt repayment. So, we had quite a healthy cash at the beginning of the year and we generated good amount of cash for this year also. So, we used almost $95 million to reduce our gross debt. So, that's why our gross debt has down by $95 million. And now as of this year in March 31st 2021, we are keeping a cash of around $70 million. That will be used for our expansion and related activities. Second question on dividend policy, we have very well laid out dividend policy and we follow that policy very religiously**.**

Amish Kanani: I think if I'm not mistaken, a dividend of Rs.5 on EPS of 35 looks slightly low given our position on the debt, so that was the question. Are we quantifying in percentage terms or is there any revisiting of those policies if at all you can give some idea that will be helpful?

Arun K. Sharma: We will be using same parameters to declare dividend as we did last time.

Moderator: Thank you. The next question is from the line of Saion Mukherjee from Nomura. Please go ahead.

Saion Mukherjee: Thanks for the follow-up sir. Can you give some more color on the Radiopharmacy? In FY20 the business was loss-making, I would assume it has increased this year. Jubilant I think is the second largest player in the US. So what exactly you mean to grow aggressively given that you are already a very dominant player? If you can give some color on both top line and also on the cost side which will help improve the profitability of this business?

Pramod Yadav: You are right in saying that this year the loss may have gone up and that is because of the COVID, number of prescription dispensing was lower than the pre-COVID level and the fixed cost remaining more or less same. So, the contribution goes and hits EBITDA. So, that's what was happening in FY21. Now, we are seeing that market has recovered, the number of prescription or the dosage which we are dispensing is back to the pre-COVID level. So, we were the second largest but there was a gap between number one and number two and we still do not have the presence in all the major cities where you have a large population. We are covering close to 60% to 70% of the hospitals, but we still have room to grow and expand. And that's what we are doing. So, we are looking at expanding and getting into the new geographies and through the hub-and-spoke model, etc., which I talked about we are also looking at expanding the coverage into the existing areas and go deeper in a focused manner and grow our market share. So, quite a lot of work on that has already happened. And that's what we are going to pursue aggressively.

Saion Mukherjee: Anything on the cost side which will bring down the cost or increase profit?

Pramod Yadav: So, one is that you operate on hub-and-spoke model, then your cost comes down. I talked about that we are doing the modernization of the pharmacies by which our efficiencies for dispensing more doses from the same vial will go up. So, you will save in turn for your vial cost. We are also looking at saving by optimizing the entire transportation model. We have identified opportunities in procurement and that cost we are bringing down. In a very focused manner in that business on all the areas, we are addressing and we still plan to continue to grow the topline in that business.

Saion Mukherjee: And Sir, at a steady state what kind of EBITDA margin the Pharmacy business will be able to achieve?

Pramod Yadav: In a steady state business, the EBITDA margin should be in high single digits.

Saion Mukherjee: One other question on the proprietary development that you're doing in innovation. research. Are there any plans of monetization, fundraise at this point in time and at what stage and how far we are from that stage to monetize any of those assets and programs that you're running here?

Syed Kazmi: So, this is a two-pronged strategy in terms of “monetizing.” So the first one that we have picked off is to really pursue private equity raise with the goal to get the proceeds that will fund clinical trials, additional IND filings and lead optimization of next generation Oncology targets that we are developing. In addition to the external funding, we are also exploring and continue to do so, fostering opportunities with large pharma and biotech similar to what we have done as you may know with our prior partnership with Checkpoint Therapeutics and Lengo Therapeutics on some of

the innovative assets. Except that we would rather go through the partnership at the right inflection point say after IND filing or clinical proof-of-concept to maximize the deal value.

Saion Mukherjee: Sir, this private equity fundraising, when do you expect that?

Syed Kazmi: Our target is by Q3 FY22.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to the management for the closing remarks. Thank you and over to you.

Shyam S. Bhartia: Thank you, everybody for joining the call. If you have any further questions, Pramod and Arun will be happy to answer. Thank you so much.

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