October 31, 2022

BSE Limited
Floor 25, P. J. Towers
Dalal Street, Fort
Mumbai - 400 001

Scrip Code: **530019**

National Stock Exchange of India Limited
Exchange Plaza
Bandra Kurla Complex, Bandra (E)
Mumbai - 400 051

Symbol: **JUBLPHARMA**

Dear Sirs,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of the earnings conference call for the quarter and half-year ended September 30, 2022

Pursuant to Regulations 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose the transcript of Analyst and Investor Conference Call for financial results for the quarter and half-year ended September 30, 2022 conducted after the meeting of Board of Directors held on Friday, October 21, 2022.

The link to access the transcript of the earnings conference call is given below:

https://www.jubilantpharmova.com/Uploads/files/86q4stanfileJubilantPharmova-Q2-H1FY23ResultsCallAudio.mp3

This is for your information and records.

Thanking you,

Yours faithfully,

Naresh Kapoor
Digitally signed by Naresh Kapoor
Date: 2022.10.31 17:49:30 +05'30'

Naresh Kapoor
Company Secretary

Encl.: As above

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List of Management Attendees

1. *Mr. Shyam S. Bhartia, Chairman*
2. *Mr. Hari Bhartia – Co-Chairman and Managing Director*
3. *Mr. Arvind Chokhany, Group Chief Financial Officer & Whole-time Director*
4. *Mr. Pramod Yadav, CEO, Jubilant Pharma Limited*
5. *Mr. Giuliano Perfetti, CEO & Managing Director, Jubilant Biosys Limited*
6. *Mr. Syed Kazmi, CEO, Jubilant Therapeutics*
7. *Mr. Arun Sharma, Chief Financial Officer*
8. *Dr. Jaidev Rajpal, Managing Director & CEO, Jubilant Generics Limited*
9. *Mr. Surajit Pal, Head Investor Relations, Jubilant Pharmova Limited*
10. *Mr. Vineet V Mayer, Associate Director- GCFO office, Jubilant Pharmova Limited*

External Participants during Q&A session

1. *Mitesh Shah – Nirmal Bang*
2. *Amit Goela - Rare Enterprises*
3. *Aditya Khemka – Incred PMS*
4. *Rahul Veera – Abakkus*

Jubilant Pharmova Limited

Q2 FY23 Earnings Conference Call

October 21, 2022

Surajit Pal: Good evening everyone. Thank you for being with us on our Q2 & H1 FY23 earnings conference call. 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. Giuliano Perfetti – CEO and Managing Director, 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.

Shyam Bhartia: Good evening, everyone. Thank you for joining us on Q2 FY'22 Earnings Conference Call of Jubilant Pharmova Limited.

During the quarter, the Company reported significant improvement in revenues especially due to strong performance in Specialty Chemicals, CDMO Sterile Injectables and CRDMO, which was offset by lower revenues in the Generics segment. On a YoY basis, however, the revenues were marginally lower as performance of the CDMO Steriles business normalized due to tapering of COVID deals and weaker performance in Generics segment.

In Specialty Pharmaceuticals, Radiopharmaceuticals business reported increase in revenues YoY driven by higher volumes with normalization in demand as pandemic eased-off. Our Allergy Business continued to grow with higher volumes. In CDMO sterile injectables, revenues normalized YoY due to tapering of one-off COVID-related revenues in the corresponding quarter. There was however sizeable improvement sequentially due to higher volumes. Generics business revenues impacted YoY with pricing headwinds and Import Alert challenges. Management begins implementation of strategic reorganization, cost optimization and re-prioritization of geography-mix in generic business.

In CRDMO, our Drug Discovery Services continues to maintain momentum from strong order book and our API revenues stood higher on volume growth and is poised to gain further from the asset upgradation program at Nanjangud plant.

During the quarter, we refinanced our existing 200 million bonds and US$ 150 million term loan with 5 years, US$ 350 million term loan facility at favorable terms with lower interest costs. This enabled us to optimize our finance costs. We incurred foreclosure charges in the refinancing transaction, which we expect to recover over the tenure of new US$ 350 million facility.

I would like to mention that we have appointed Mr. Jaidev Rajpal as Head of our Generics business from October '22 onwards. Jaidev joins us from McKinsey and has over 2 decades of rich experience in management consulting and driving and transforming leading generic pharmaceutical companies in India and global markets. Jaidev's appointment will help the company in transforming its Generics business through commercial and operations excellence, including portfolio and R&D rebalancing. With his appointment, Jaidev will take over the Generics business from Mr. Pramod

Yadav, who will continue to be the CEO of the Specialty Pharma, Radiopharma and Allergy Immunotherapy and CDMOs Sterile Injectable businesses.

With this, I hand over to Pramod to discuss about the Pharma business in detail. Before that, on behalf of the entire Jubilant team, we wish our investors and everyone present on this call, a very joyful, peaceful and safe Diwali. Thank you.

Pramod Yadav: Thank you, Mr. Bhartia. A very good evening to all of you. With this, I'll share performance of our various businesses in second quarter of financial year 2023. We witnessed significant improvement in performance of our specialty pharmaceutical business during the quarter. In Q2 FY'23, the revenue from specialty pharmaceuticals was at Rs. 814 crore, up from Rs. 651 crore in Q2 FY'22 and Rs. 722 crore in Q1 FY'23. The EBITDA was at Rs. 198 crore, up from Rs. 130 crore in Q2 FY'22 and Rs. 117 crore in Q1 FY'23 with a margin of 24.4% versus 19.9% in Q2 FY'22 and 16.2% in Q1 FY'23.

Radiopharmaceutical business witnessed improvement in the revenue year-on-year and quarter-on-quarter, driven by higher volumes. Higher sequential revenue were also on account of customer orders rescheduling in Q1 FY'23. The Radiopharmacies business witnessed growth due to higher volumes resulting from recovery in the demand as pandemic impact went. Turnaround plan working well as reflected by volumes at pre-COVID levels and lower losses. We have good news to share on the regulatory front as USFDA completed audit with zero observations in our Montreal Radiopharma plant during its inspection in early October 2022. The Allergy Immunotherapy business reported healthy revenue growth, which was driven by the volume growth, price increase and geographic expansion.

CDMO Sterile Injectable revenues were at Rs. 299 crore versus Rs. 409 crore in Q2 FY'22 and Rs. 263 crore in Q1 FY'23. The EBITDA was at Rs. 71 crore versus Rs. 203 crore in Q2 FY'22 and Rs. 132 crore in Q1 FY'23. The quarter-on-quarter variations in margin in Q1 FY'23 and Q2 FY'23 is due to plant shutdown twice in a year and COVID-related deals. In Q2 FY'23, we witnessed about Rs. 22 crore of COVID deals versus about Rs. 162 crore in Q2 FY'22 and about Rs. 70 crore in Q1 FY'23. Generic revenue were at Rs. 161 crore versus Rs. 333 crore in Q2 FY'22 and Rs. 178 crore in Q1 FY'23. Revenues and profitability lower versus Q2 FY'22 due to pricing pressure in the U.S. generic market, lower volumes resulting from the Roorkee Import Alert and lower Remdesivir sales.

We have responded to the USFDA with a CAPA plan post audit of the Roorkee plant that had resulted in 6 observations. To put the business on path of sustainable growth and the profitability, we have kicked off a large-scale business transformation, which is focused on strategic reorganization of the generic business and the generic wide cost optimization, including direct and indirect costs. Also reprioritizing the geography mix to accelerate growth in the branded markets, such as India.

We have identified and are in the process of executing annualized cost opportunities worth around Rs. 100 crore across direct and indirect spend. These will be implemented by Q4 FY'23, which while we work on identifying additional cost-saving opportunities. With this, I hand over to Giuliano to provide insight into contract research development and manufacturing organization business and wish you all a joyous and prosperous Diwali.

Giuliano Perfetti: Thank you, Pramod. In CRDMO business, we witnessed year-on-year and sequential improvement in revenues, led by strong performance of drug discovery service business. API business also reported double-digit year-on-year growth in revenues, driven by higher volumes. CRDMO revenues were

at Rs. 320 crore versus Rs. 258 crore in Q2 FY'22 and Rs. 280 crore in Q1 FY'23. EBITDA was at Rs. 68 crore versus Rs. 69 crore in Q2 FY'22 and Rs. 46 crore in Q1 FY'23, with a margin of 21.3% versus 26.6% in Q2 FY'22 and 16.3% in Q1 FY'23.

CRDMO revenues were at Rs. 600 crore versus Rs. 451 crore in H1 FY'22. EBITDA was at Rs. 114 crore versus Rs. 122 crore in H1 FY'22, with a margin of 19% versus 27.1% in H1 FY'22. In our drug discovery service business, we witnessed strong demand from target customers for integrated drug discovery services, functional chemistry and DMPK. However, we register market is adopting more selective approach in launching new projects. Strong incremental order flow supported by the Greater Noida facility that was commissioned in September 2021. Sequentially revenue higher, in-line with historical trends of Q2 being a stronger quarter. The commissioning and validation of the greater Noida DMPK in-vitro facility to enable comprehensive service capability from the site.

With this, a warm Diwali wish all and now hand over to Syed to discuss the Proprietary Novel Drug pipeline.

Syed Kazmi: **Thank you Giuliano. Good evening everyone.** In our proprietary novel drugs business, we are focused on developing potential first-in-class and best-in-class precision therapies in oncology and auto-immune space. The company uses Jubilant's proven discovery engine with structure-based drug discovery expertise and a track record of partnerships. Phase I/II trial is ongoing for JBI-802, a dual LSD1/HDAC6 epigenetic modulating agent, for patients in advanced solid tumors with the primary objective to identify the recommended Phase II dose and to evaluate the safety and anti-tumor activity of JBI-802. Target indications include subsets of small cell lung cancer, neuroendocrine prostate cancer and other neuroendocrine tumors

with specific genetic signatures. We expect to have interim clinical data by early next year.

We have received FDA clearance of the IND for our second program, JBI-778, an Oral, Brain Penetrant and Selective PRMT5 Inhibitor, for the Treatment of Solid Tumors with Brain Metastases and Primary Brain Tumors.

We recently published cutting edge findings on the effect of our first-in-class PAD4 inhibitor in halting cancer progression and tumor metastasis in the prestigious peer-reviewed Cancer Research journal jointly with The Wistar Institute, Philadelphia. We also presented preclinical data on the activity of our lead dual epigenetic modifier, JBI-802, in hard to treat MYC-Amplified Neuroendocrine tumor models at American Association of Cancer Research (AACR) Epigenomics conference. This shows that our company's R&D is gaining global recognition in the field of cancer research. Jubilant Therapeutics is now a clinical stage biotech with higher value creation opportunities driven by emerging data from first-in-human studies and additional IND filings.

With this, I now hand over to Arun to discuss the financials and wishing you and your family a very happy Diwali.

Arun 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 for the second quarter and first half of financial year 2023. Jubilant Pharmova's Revenues were at Rs 1,600 Crore vs. Rs 1,657 Crore in Q2'FY22 and Rs 1,452 Crore in Q1'FY23. Reported EBITDA was at Rs 232 Crore vs. Rs 344 Crore in Q2'FY22 and Rs 204 Crore in Q1'FY23.

Depreciation & Amortization expense during the quarter was at Rs 94 Crore vs. Rs 100 Crore in Q2'FY22. Finance costs at Rs 42 Crore vs. Rs 35 Crore in Q2'FY22.

Exceptional cost of Rs 57 Crore included Rs 48 Crore of foreclosure charges related to bond repayment and balance due to write-off of capitalized debt origination costs. We expect savings from lower interest rates pursuant to the refinancing which will enable recovery of this cost over the tenor of the new facility.

PAT was at Rs 5 Crore as compared with Rs 143 Crore in Q2'FY22 and Rs 47 Crore in Q1'FY23. Normalized PAT was at Rs 62 Crore as compared with Rs 143 Crore in Q2'FY22 and Rs 47 Crore in Q1'FY23. EPS was Rs 0.34 per share vs. Rs 8.97 in Q2 last year and Rs 2.96 in Q1'FY23. Normalized EPS was at Rs 3.88 per share in Q2'FY23.

Net Debt (constant currency basis) at Rs 2,204 Crore as on September 30, 2022 vs Rs 1,951 Crore as on June 30, 2022. Capital expenditure, excluding R&D capitalization, was at Rs 128 Crore for the quarter. We expect to incur capex of around Rs 700-750 Crore in FY23 primarily towards expansion in CMO business and enhancement of Drug Discovery Services capabilities and capacities. In addition, we expect product development expenditure of Rs 250-300 Crore.

In H1'FY23, the Company's revenues were at Rs 3,051 Crore vs. Rs 3,292 Crore in H1'FY22. EBITDA was at Rs 436 Crore vs. Rs 723 Crore in H1'FY22. PAT was at Rs 52 Crore as compared with Rs 303 Crore in H1'FY22. Normalized PAT was at Rs 108 Crore in H1'FY23. EPS at Rs 3.30 per share vs. Rs 19.06 per share in H1'FY22. Normalized EPS was at Rs 6.81 per share vs. Rs 19.06 per share in H1 last year.

Capital expenditure for H1'FY23 was Rs 226 Crore. Average blended interest rate for H1'FY23 was at 4.81% vs 4.62% in H1'FY22.

With this, I would like to conclude our opening remarks. We will now be happy to address any questions that you may have and wishing you and your family a very happy Diwali.

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

Rahul Veera: Good Evening gentleman. Pramod, sir just a quick question on the Radiopharma business. Are we touching the 90% to 95% utilization across all the molecules now, DTPA and MAA?

Pramod Yadav: Yes, Rahul, that's a good question. We are touching more than 95% in all the molecules, except DTPA. DTPA has not yet come up and we are waiting, but rest of the products have come up to the pre-COVID level.

Rahul Veera: This is a good improvement sir, as compared to the last couple of quarters. Sir, on the financial side I wanted to understand the exceptional cost, What is the interest rate and the tenure of the new bond? Just trying to understand how will the cost savings come through?

Arun Sharma So Rahul, this earlier bond was due in March 2024 and this was at 6%. And there was a term loan of $150 million, which was also due somewhere in around March 2024. So there was no urgency to refinance this. But because of our advanced planning, we refinanced this term loan and bond for a 5-year tenure. So now this goes from '22 July to '27 July. So refinancing has been 5 years at a very competitive cost and our coupon on this is less than 2% which will give us phenomenal cost savings within next 2 years' time itself.

Moderator: The next question is from the line of Aditya Khemka from InCred PMS. Please go ahead.

Aditya Khemka: Sir, can you elaborate on the generic business. I think Hari sir in his opening remarks mentioned restructuring the business, finding more cost efficiencies. So can you give us a little more color on what kind of restructuring or reorganizing you are looking at? What kind of cost efficiencies you are looking at? And how are they supposed to materialize and by what timeframe?

Pramod Yadav: Yes. Aditya, as of now, the strategic reorganization is bringing the business into a separate leadership with a very specific laser sharp focus to transform the business. We are already looking at cost efficiencies. And as I mentioned, more than Rs. 100 crore has been identified, which will get materialized by next quarter. We will continue to get the benefit of that while more cost savings across the entire cost area is being looked at. It will be a little too early to get into the details. Maybe the next quarter will be a better opportunity to have the discussion in detail.

Shyam Bhartia: Sir, this also includes rebalancing of our R&D portfolio.

Aditya Khemka: So basically rationalizing R&D spend also.

Pramod Yadav: That's right.

Aditya Khemka: Do we have an update on MIBG theragnostic molecule that we were working on? At what stage are we? When do we see a potential approval of the product? When do we see a potential commercialization timeline?

Pramod Yadav: There are 2 trials going on. One is the Phase II trial for the relapse and the refractory in which we have to do about 70 patients, and we are close to 40% to 45% of the patients already enrolled and dosed. The other trial, which is for Phase III, which will be first line of therapy, which is a COG trial, along with CHOP. In that, there are about 700 patients, and we have already done more than 450 patients. So the trials are progressing well. The Phase II approval, we expect in FY'25. And Phase III approval, we expect in FY'26.

Shyam Bhartia: But actually we can market the drug after Phase II approval pending phase III.

Aditya Khemka: So if given that Phase II works out properly on the safety and efficacy profile, you can launch the product sometime in FY'26. Is that fair?

Pramod Yadav: We are trying to launch in FY'25. As I said, that's for the relapse and the refractory. Once the Phase III is also completed, it will be the first line of treatment. So it will open up the additional market. So once the Phase II is done, is for the relapse and the refractory for which we are saying that we have close to 800 patients in U.S. on an annualized basis. Now out of this 800, some are the MIBG avid and some are not. Then when they are being dosed with the chemo or other antibodies and the disease relapse that time the Phase II will be given. This is the Phase II approval. When the Phase I approval is there, then the patient will be dosed even during the chemo stage itself.

Shyam Bhartia: So once the drug is in market, the doctors are free to use the way they want to use. Currently it is also being used under special FDA program, Doctors are already using the drug in at least, 14- 15 hospitals.

Pramod Yadav: Yes, close to 16 to 18 hospitals, they're using.

Shyam Bhartia: Already drug is being used under special access program of USFDA.

Aditya Khemka: The more I read about MIBG, the more I get interested into the molecule, seems pretty revolutionary in nature. I also wanted to understand, what are we doing for developing the molecule beyond the U.S. market and what is the potential size of the market, refractory plus first line, both markets included in the potential market size in the U.S. and outside the U.S.?

Shyam Bhartia: I think the largest market is in U.S. because U.S. is a market where they allow even for a few years of good life, they allow the use of the drug. But in many European markets, it is very difficult for the patients to allow under the NICE program of U.K., et cetera, it becomes very difficult. And it is very important from this point of view that it is for the pediatric, the children. Now the life of the children improves substantially. They can go back to school, they can go back to their cheerful if this treatment is given. So even if it lasts for 4- 5 years, it is very important, the life improvement because when they go through the chemo or any other drug program, their quality of life is very low. When they go for MIBG, the quality of life improves substantially. So that is why from the parents' point of view, they prefer this treatment.

Aditya Khemka: So maybe in Europe because most of the government.

Shyam Bhartia: But we would like to see the drug approval in U.S. I think once it is approved in U.S., we will definitely try in other countries in EU. But we have not yet started anything to do with E.U. yet.

Aditya Khemka: And what is the potential market size of the product in U.S. including refractory and first line?

Pramod Yadav: Yes, it will be in excess of USD200 million on annualized basis with a 100% potential.

Aditya Khemka: Last question, sir, on the CRDMO business side. So phenomenal performance and phenomenal traction, obviously. Recently given the gas price situation in Europe and given that most of your larger CRDMO peers are based out of Europe. Do you see any business migrating from the European region to countries such as India where there is relatively more stability in input cost? Do you expect just to grow organically and Europe business to survive in this turmoil?

Shyam Bhartia: Are you talking related to drug discovery services or relating to sterile injectable?

Aditya Khemka: Both. I think that drug discovery won't be as much impacted simply because there's more manpower, less material. I'm talking more from a manufacturing standpoint where power cost becomes more relevant to the scheme of things.

Pramod Yadav: For the Sterile business generally like especially into the Europe and the U.S., where we are doing this business for the innovator pharma companies. They like this sterile injectable fill finish, to be closer to them within the geography so that they can have a better, the supervision on the quality systems and the releases etc. They do the marketing globally, because of this power cost and we have not seen the business moving out of the Europe to the U.S. It will be too early to comment on that.

Shyam Bhartia: I would like to further add that whatever the pharma companies are producing in our plant, they are being shipped to Europe with the European approvals. They have been shipped to even Japan and many other countries from our facility itself. Our facility is approved with Japanese, European

authorities. Innovator companies market the drug globally from our facility. We are definitely competitive. That is why we do it and we have seen our power cost in the U.S. is better than in Europe. As of today, Europe is in a bad shape because of the fuel prices. Even earlier when this crisis of Ukraine, our costs were very highly competitive in U.S.

Aditya Khemka: Sir, last question, On the Roorkee and Nanjangud compliance with the FDA, any update?

Pramod Yadav: So on the Roorkee, we were audited in the month of July. There were 6 observations. We have submitted our CAPA plan to the FDA. The FDA generally takes around 90 days to come back on that. We expect FDA to come back on the Roorkee sometime in the mid of November. We are already at end of October, so very soon we should be hearing. With regard to the Nanjangud, I will let Giuliano speak

Giuliano Perfetti: Thank you, Pramod. For Nanjangud, we got the last inspection in year 2018. We are waiting for the new inspection. Of course we don't know exactly the timeline of this. From our side, we worked intensively to be prepared for the inspection and in addition to the internal factors, which was allocated and did a very detailed and rigorous work. We also hired external consultants both from India and globally in order to be fully prepared for the inspection. But at the moment, it's difficult to provide you a timeline. We're trying to even ask to the FDA to mention that we are ready for inspection, we're ready for further use.

Aditya Khemka: Giuliano, just a follow-up on that. So Nanjangud, given that it is not able to supply to the American market because of the Import Alert. What is the kind of losses we are incurring at the plant level there? Because I understand the plant will be operating at a sort of level despite no

production, and we would definitely be incurring overhead expenses on plant. So any flavor or color you can provide us there?

Giuliano Perfetti: Yes. previous inspection was mainly focusing on the Sartans product. In Sartans, there is a large use of solvent recoveries. So the impact so far for us is that we are not recovering solvent and that we're not expecting the exceptions to U.S. using solvent recovery. Why are we exporting in Europe? Because this is fully in compliance.

Hari Bhartia: But Giuliano just 1 minute, Giuliano. We are exporting, all our products are going to U.S. I think that we must clarify first.

Giuliano Perfetti: All products are going to U.S.

Shyam Bhartia: Yes, the products which we have marketed in U.S. are going to U.S. Products are going to Europe.

Hari Bhartia Just 1 minute. There is no restriction for our existing products to be supplying to U.S. So I think the question was that we are not able to supply to U.S. That's why we may be incurring losses. There is no loss related to non-U.S. supply.

Giuliano Perfetti: Thank you for the clarification. Maybe I missed completely because I reinforce that we are exporting to all the countries, including to the U.S., Europe and Japan and all the countries that typically we are exporting. So the impact on this OAI is limited to the fact that we can't, let's say, position new products into U.S. market. That's the current impact we have. So once we will be cleared, we will start to position the new products into U.S. market as well.

Moderator: We'll take our next question from the line of Mitesh Shah from Nirmal Bang. Please go ahead.

Mitesh Shah: Again just squeezing the generic part, last quarter, I was expecting the margin also peaked out. This quarter margin would be at 50%. You said that you're giving a better guidance next quarter. But can you say something about that it is restricted or we are expecting a similar kind of losses at least in the near quarter?

Pramod Yadav: So the margins in this quarter is lower than the expectation because in the month of July, the FDA came for the audit. We were to complete all the remediation before the audit and ramp up the production in this quarter. Now because of the audit, our ramping, the remediation activities got impacted because we had to put them on hold and complete the first audit and make the CAPA plan. It was a widespread remediation with the support of various equipment suppliers and the partners on the software development side. So during that audit, they all had to go back and then we took time to mobilize all facilities and which all are now getting completed by end of October. Now we are in a position where we will be ramping up the production over there and selling the products mostly into the non-U.S. market and ramp up withall initiatives we have taken on the business transformation, looking at overall cost across all the sectors, all geographies. From here onwards, quarter-on-quarter, our EBITDA will continue to improve.

Mitesh Shah: On the CDMO segment, you said that margin variance in the sequential mainly due to the plant shutdown. But revenue has increased sequentially and the margin came down almost to the half. What is the reason for that if you know? Because shutdown of the plant should reduce your revenue as well, I believe.

Pramod Yadav: You are comparing margin with previous quarter or the last year?

Mitesh Shah: Quarter-on-quarter.

Pramod Yadav: Quarter-on-quarter variation, we have to take 2 shutdowns of the plant in a year, which is as per the regulatory compliance. Each shutdown lasts more than 3 weeks. So what happens, a month in which we take the shutdown and once the batch is produced, it takes time for batch to get released from the facility. So the quarter in which we take the shutdown, we still have the batches to be released in the market because they are in the queue and they continue to get sold. But the next quarter, we sell from the inventory so have the inventory adjustment. In the next quarter, when the shutdown is not there, produce at a full blast, but sell only half of the batches, balance go into inventory and inventory adjustment happens. The quarter-on-quarter, these variations will continue to happen in this business especially when we have 2 plants, one in Spokane and in Montreal, this also becomes a little tricky to track at both the places.

However, on an annualized basis, if you remove the one-off, the COVID-related, the impact. In the CMO business, we are back to the margins level what it used to be pre-COVID, which are at a healthy margins, and we will continue to operate the plant at those margins. With regard to your top line variance, how it impacts even though the margins are going up and down because of inventory adjustments between these 2 quarters, however, there was also COVID-related deal impact. We had Rs. 22 crore COVID deals in Q2, while it was Rs. 70 crore in Q1 which also had an impact.

Mitesh Shah: CDMO API margin has improved sequentially. It's still at 8.5%. How much would you expect that it would be around 2% growth at least on a double digit?

Giuliano Perfetti: Can I ask you just to repeat the last part of the question because I didn't get fully?

Mitesh Shah: The CDMO API margin was 4%. This quarter would be 8.5%. So I just want to know that why it's a single digit? Can we expect to be at least on a double-digit margins? And what is the scope to improve that?

Giuliano Perfetti: Yes, we do have an increase in this quarter. You may recall that we mentioned we were working into the plant upgradation and some capacity unlock. So this program will start to be completed in the first half of this year, which is just concluded now. From the next quarter, we do expect we will grow in volume, and also in profitability. The target for this is really to come back in the next future to the same level we were used to have in the past years.

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

Amit Goela: Sir, there has been a significant improvement in the performance of radiopharmacies like with EBITDA loss now at 5%. When are you expecting breakeven a little bit earlier than previously guided?

Pramod Yadav: So Amitji, we had guided that by end of FY'24 we will be breaking even in this business. Let’s stay with this guidance, please.

Amit Goela: Okay. But now you're just out by 5%, sir? Will it be a major difference to the numbers if it comes through earlier?

Pramod Yadav: Yes. Of course, our efforts are to break even much earlier and the team is working on that. We are continuing to see our top line growing, both because of the organic growth of the products what we had as well as the

new products which we have launched like the PSMA etc. The top line continues to grow. At the same time, our operational efficiencies are also improving month-on-month, quarter-on-quarter. So the improvement is being seen all around. We should be breaking even earlier, but let's stay with the guidance that we had given earlier.

Moderator: Our next question is from the line of Aditya Khemka from InCred PMS. Please go ahead.

Aditya Khemka: Yes. Sir, just one more question on the reorganizing. When we did the demerger of Ingrevia and Pharmova, we created a lot of wealth for our shareholders because those were 2 completely different businesses being run under one entity. When I look at Pharmova today, it is still one company owning 3-4 very different businesses. It's very little synergy to each other, how do you see that? How does that complex nature of business? Does it create issues because you're running so many different houses under one house? Does it create synergies because there might be certain sharing of expenses? Just any thoughts on the way the business is structured today?

Shyam Bhartia: Yes. We have specialty pharmaceuticals business which is headed by Pramod and generic business is headed by added by Jaidev. The generic business, we wanted to put a special emphasis on generic business. Business like CRDMO there is Drug Discovery Services and APIs. These are the 3 manufacturing businesses what we have. The other business, is the Jubilant Therapeutics, which is a drug discovery business of new drugs.

Aditya Khemka: My question was does running so many different lines of businesses under one umbrella of Pharmova, does that not create challenges in terms of how you are managing these different pieces? Obviously it does confuse the shareholder because we don't know what we are really buying or let's say, if I just wanted to buy a CRDMO business, I can't do that. But if I just wanted

to buy a generics business, I can't do that because it's all housed into one big brand of Pharmova. Any thought on that?

Shyam Bhartia: But we have started reporting the business separately so that you get a view of the businesses separately.

Aditya Khemka: But any thoughts on what you did with Pharmova and Ingrevia? Any thought of doing that within Pharmova in terms of demerging these businesses into separate lines so that shareholders have the ability and the liberty to choose what line of business they want to participate in?

Shyam Bhartia: There is no plans as yet. But I think we'll have to see in the next couple of years how these businesses are panning out.

Aditya Khemka: Any thoughts on the generic formulation business how that is performing? We understand that the pricing environment in U.S. remains very challenging. How do we plan to sort of turn around that business?

Shyam Bhartia: In the generic business, we are trying to reorganize and reduce cost of operation and also rebalance our R&D. In quarter-on-quarter, will see the reduction in costs because pricing and have no control over it. The only thing what we can do is reduce cost of operations and cost of R&D.

Aditya Khemka: In CRDMO business, you must have seen some inflation in input cost. How are you finding the ability to pass on such inflationary pressures to your customers, both in radiopharma as well as CRDMO businesses?

Pramod Yadav: So in radiopharma and CMO business, our costs are going up a little bit at a higher pace than the normal because inflation in the U.S which is on a higher side. Employee cost goes up because of that and the cost of some of the components have also gone up more than what otherwise on an

annualized basis they used to be. We have the various contracts with the customers, some are open, where we can increase the prices and some have a limit to increase the price. So it's a mix. But overall we are able to more or less pass on the increase.

Shyam Bhartia: See, every year, it is indexed to the increase in pricing. So every year, we can revise the price for most of our customers.

Moderator: We have a question from the line of Vijay Irani, we have lost connection for Vijay. As there are no further questions, I now hand the conference over to the management for closing comments.

Shyam Bhartia: Well, thank you so much for joining on this conference call. In case you have any further questions, our Investor Relations team will be happy to answer all the questions or our CEO, Pramod or Arun Sharma, our CFO. Thank you. Happy Diwali to all of you.

Arun Sharma: Thank you so much, and happy Diwali.

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

Note: There could be unpublished price sensitive information that would have been shared /discussed during the call and we have shared Audio Transcript to the Stock Exchanges on October 21, 2022 for information of public at large