



## Natco Pharma Limited

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June 4, 2024

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“Exchange Plaza”, Bandra – Kurla Complex  
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Scrip Code: 524816

Scrip Code: NATCOPHARM

Dear Sir

Sub:- Transcript of earnings conference call held on May 28, 2024  
Ref:- Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements),  
Regulations, 2015

We are herewith enclosing copy of the transcript of the Company's earnings conference call for Q4 FY24 held on May 28, 2024. The transcript is also available in the website of the company i.e., [www.natcopharma.co.in](http://www.natcopharma.co.in).

Thanking you

Yours faithfully

For NATCO Pharma Limited

Ch. Venkat Ramesh  
Company Secretary &  
Compliance Officer



“Natco Pharma Limited Q4 & FY24 Earnings  
Conference Call”

**May 28, 2024**



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

**MODERATOR:** **MR. HRISHIKESH PATOLE - B&K SECURITIES  
PRIVATE LIMITED**



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**Moderator:** Ladies and gentlemen, good day, and welcome to Natco Pharma Q4 and FY '24 Earnings Conference Call hosted by Batlivala & Karani Securities India Private Limited.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” and then “0” on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Hrishikesh Patole from Batlivala & Karani Securities India Private Limited. Thank you, and over to you, sir.

**Hrishikesh Patole:** Hello. Good morning, everyone. On behalf of B&K Securities, I welcome you all to the Q4 FY '24 Earnings Conference Call of Natco Pharma.

I hope everyone is in good health and doing well. On behalf of Natco today, we have with us Mr. Rajeev Nannapaneni – Director and CEO; Mr. Rajesh Chebiyam – Executive VP, Crop Health Science.

I now hand over the call to Rajesh for the Management's Opening Remarks, post which we will open the session for Q&A. Over to you, Rajesh.

**Rajesh Chebiyam:** Thank you, Hrishi. Good morning, and welcome, everyone, to Natco's Conference Call. Discussing our Earnings Results for the 4th Quarter of FY '24 and the Full Year Results, which ended March 31, 2024.

Our discussion during this call will include certain forward-looking statements, which are predictions, projections or estimates about future events. While these forward-looking statements exemplify our judgment and future expectations, please note that these estimates involve several risks and uncertainties that could cause our actual results to differ materially from what is expressed or implied. Natco Pharma undertakes no obligation to publicly revise any forward-looking statements to reflect future events or circumstances. I would like to state that except for the participant question, the property of Natco cannot be recorded or rebroadcasted without Natco's express written permission.

Now let's start with the earnings details. We hope you received our Financials and Press Release. Also, the Investor Presentation was updated earlier today. These are also available on our website.

The Company has recorded its highest ever consolidated revenue and profits during this financial year. This is a result of decades of our diligence and focused strategy on niche high potential molecules. For the full year, FY '24, Natco has recorded consolidated total revenue of Rs. 4,126.9



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crores as against Rs. 2,811.7 crores for the last year. This is reflecting about roughly 47% growth. The net profit for the period on a consolidated basis was Rs. 1,388.3 crores as against Rs. 715.3 crores the prior year, showing a growth of almost 94%. Our business on the domestic front had a one-time charge of roughly Rs. 90 crores, the details of which was communicated in our press release. We will discuss this further during the call. Our revenue split as well has been disclosed in our press release.

So, with that, I will pause here, we will take questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Viraj Mahadevia from MoneyGrow India. Please go ahead.

**Viraj Mahadevia:** Congratulations Rajeev, Rajesh and the entire team at Natco for the excellent results and for proving the naysayers wrong. Given that you have delivered Rs. 380 crore PAT in Q4 after the exceptional cost of Rs. 90 crores, can we assume given Revlimid ramp-up underway, Rs. 400 crore PAT per quarter is sustainable for the next 1 to 2 years? I mean within a 5% tolerance on either side. Is it in that ballpark?

**Rajeev Nannapaneni:** I will not give you the quarterly updates like that. But what I can say is like this, okay? This year, we did about Rs. 1,388 crores profit. I think going forward next year, we at least see if all goes well and there are not too many surprises, we should do greater than 20% growth for the year.

**Viraj Mahadevia:** Perfect. That's exactly what I was looking for. If that is the case, the stock trades on FY '25 ex-cash at 10x PE per my calculations, very cheap by any standard, given your Rs. 1,000 crore cash on books.

**Rajeev Nannapaneni:** No, it's not Rs. 1,000 crores. Actually, we had some tax payments and some vendor payments to make. But actual cash flow is Rs. 2,000 crores.. As of May 26<sup>th</sup>, we have Rs. 2,000 crores of cash and investable liquid assets and Rs. 116 crores of debt. So, that's the actual thing to say.

**Viraj Mahadevia:** So, approximately Rs. 2,000 crores of cash and an incremental Rs. 3,000 crores of free cash flow per my calculation in the next 2 years. So, even with an acquisition plan, which you have suggested in the past, are the promoters and Board not considering a buyback?

**Rajeev Nannapaneni:** Well, I am thinking about it, I have not made up my mind. I think if we get a large enough acquisition then I don't want to do a buyback. But if we are unable to close a large acquisition, then maybe we can consider a buyback. I have not made up my mind as of today. I think we will decide as the year unfolds, yes. But I think that's the thinking.



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**Viraj Mahadevia:** Do give it some thought. Promoter group obviously is at 49-odd percent. So, even a small buyback would add a lot of confidence.

**Rajeev Nannapaneni:** We'll do what is right for the Company. Yes, certainly.

**Moderator:** The next question is from the line of Siddhant Singh from Green Portfolio. Please go ahead.

**Siddhant Singh:** Sir, I wanted to know about your investment in Cellogen. We are very optimistic about the development and all. But how you are planning to leverage this collaboration? And what is the time frame you are expecting that it will get completed and how it will impact our financials?

**Rajeev Nannapaneni:** See, CAR-T therapy is something that we don't have a skill set in-house in Natco. As you know, we are strong in oncology, but we don't do biologics, and neither are we doing the newer therapies like CAR-T. And I feel biologics, anyway, we have not participated in that. So, I feel the newer technology like, CAR-T, I don't want to miss. I think, if you don't have a skill set in-house, then you are going to invest in a Company which has the skill set, so I think that's why we have done it. We feel that a lot of the oncology therapy is going to go to CAR-T. So, it's a modest start. I think we have the option to invest more, depending on how things go, but it's a modest start. So, let's see how things go. It's a very early stage. I can't get into timelines and all, but I think we are excited, and I think we see that there are a lot of opportunities in this area.

**Siddhant Singh:** Sir, as also previous participant also asked about the acquisitions that you will do in future, if you will get a chance. Like, sir, are there any specific geographic areas or any product line, which you are focusing on or looking to explore in the future?

**Rajeev Nannapaneni:** I have said this in the past as well. I think the acquisition space is to strengthen our base business. So, we have the money to do it and primarily, we are looking at a RoW business. So, we are looking at different options. As of now, we are not able to close anything, but we are hoping in the next couple of years, we are able to find something that will give us a strong base. So, to answer your question, yes, we are looking at an acquisition and, in the RoW,. I think that's what we are looking at.

**Siddhant Singh:** And last question is about how do you see the top line for FY '25 and EBITDA margin like what we can expect? Like previously, you did what you had mentioned . So, what can we expect for FY '25?

**Rajeev Nannapaneni:** I think we believe that we shall be able to grow top line wise also more than 15% to 20% and even on earnings growth, also, we are looking at about 20% comfortably. We think based on certain assumptions and price erosion assumptions. But yes, again, we will know, but I am optimistic that I think we are able to hold this.



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**Moderator:** The next question is from the line of Nirali Shah from Ashika Stock Broking. Please go ahead.

**Nirali Shah:** Congratulations on the strong set of numbers. My first question is regarding Revlimid. So, in the previous earnings call, you did mention that with your beginning from March 2024, we will have a new allocation for Revlimid and noting that exports are driving growth. Could you provide some insight on the contribution of Revlimid to overall sales for 4Q? And also, how should we look at it in the Financial Year '25 as well? So, do we anticipate any significant moves to revenue from this in the upcoming years?

**Rajeev Nannapaneni:** Again, we can't predict the future of what trajectory of pricing is. But overall, Revlimid is obviously a good portion of our earnings this quarter. Overall, our RoW business has also done well. Brazil has done extremely well. Canada has done well. Brazil, I think direct exports and our subsidiary exports are almost \$25 million to \$26 million a year. Canadian sub has done nearly CAD 40 million. So, overall, our RoW business is doing well. I think this year, we have some very good orders from Egypt and Saudi. So, we are working very hard to diversify our RoW business and I think the endeavor has gone well.

In terms of split and all, we don't do it for strategic reasons. But I think I have answered your question. I think a good portion of it is coming from Revlimid. And so this year, based on the orders that we have and overall business prospects, I think we have given guidance. I think that covers your question.

**Nirali Shah:** Yes. And my second question is about the agri business. So, as far as I understand, the second half of the year is typically a little bit weak compared to the first half. Then how should we use this segment for the first half of FY '25? Any guidance would be helpful.

**Rajeev Nannapaneni:** We wanted to do about Rs. 140 crores to Rs. 150 crores. I think those are our estimations, we fell short and by about Rs. 25 crores, Rs. 30 crores. The monsoon was bad last year and we had some returns and so we had to make a call do we take the returns and go forward or just carry on with the stock? So, we just thought that it's better to be prudent to just take a hit and clean it up and go forward.

Overall, I think it's a good business. We build a reasonably brand business in a very short duration of time And in terms of guidance and all, I will let you know, I think maybe around June quarter, we can give you a specific guidance of how the business is going. I think our internal estimation is that we should do well. I think we should have very good growth.

Very specifically, I will tell you, , in June where we see things are going and truly this is our first year of operations. So, this is our second true year of operations. So, we will have a better idea of how things are. A lot of it is contingent on the fact that we have some new launches we are planning. So, once we have clarity on that, I can give you better guidance. But we are very



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optimistic about a lot of the first-time generics that we are trying to launch in the agro business And I think the business in over a period of time should do very well.

**Moderator:** The next question is from the line of Hrishit Jhaveri from Pi Square Investments. Please go ahead.

**Hrishit Jhaveri:** Congratulations for the great set of numbers and meeting the guidance which you provided. I just wanted to understand with so much cash in hand, do we have any significant CAPEX plan this year?

**Rajeev Nannapaneni:** It's nothing large, I mean we expect that we should spend about Rs. 300 crores to Rs. 350 crores a year is what we are spending in a year. I think more or less we will spend that just for maintenance CAPEX to make sure that what they are making and sometimes we just start to add a few things, just to maintain and build orders that you have. We are not building any new sites. But in the existing site itself, we are expanding capacity. I think that's more or less what we are doing at this time.

**Hrishit Jhaveri:** And sir, I just wanted to have a brief about how is the demand shaping up for the export customers, like all the geopolitical crisis, Red Sea crisis, has this affected Natco or not?

**Rajeev Nannapaneni:** Not so much because our model is very different compared to everyone else. I don't do commodities, I don't do volume products. Our whole model is only doing niche and a lot of our shipments are by air, and compared to the value, the air freight component is not a significant portion of the costing. So, it does affect, of course, I mean, logistics cost has gone up, but it doesn't have the level of impact that it may have on someone who does more volume products. So, yes, there is impact but nothing dramatic.

**Moderator:** The next question is from the line of Rohit from ithought PMS. Please go ahead.

**Rohit:** Congratulations on really good numbers. So, two questions, sir. One was anything that you would like to share on the NCE that you have. That was my first question.

**Rajeev Nannapaneni:** So, we have 1 NCE, which is doing Phase II in the U.S. at this time and it's in the early days, so I think I will refrain from giving any guidances or any idea. So, we are doing Phase II this information is available in the public domain. It's early stage, and we are targeting, type of oral cancer specifically. So, we will see how things go. At this time, I don't want to comment.

**Rohit:** The other 2 questions I had were one is, you said 20% growth. This is on the base of excluding the exceptional or on the reported numbers. That was one. And then I have one more question after this.



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**Rajeev Nannapaneni:** I didn't get your question. Please repeat it?

**Rohit:** So, I was saying, we reported Rs. 1,388 crores of profit this year, and you said 20% growth on this, but we also have like one-offs of around Rs. 90 crores. So, I mean one should adjust the one-off and look at the adjustments or the reported number is what I wanted to ask. That was my first question. And I have one more after this.

**Rajeev Nannapaneni:** One-offs, That's a very tricky question. I will give you a straight answer. See, one-offs happen in any business. I mean, so you have a different one-off in a different year. So, Rs. 1,388 crores assume the one-off. I mean, in my mind, I am starting with a clean slate and hopefully I will not generate another one-off, but anything can happen, right? So, we always budget for that. So, if you make one bad inventory decision, you'll have one bad currency risk. So, I mean, there are so many moving parts, so it's very tough to judge. My assumption is Rs. 1,388 crores whatever else happened and 20% growth assumes everything and so we can only make a projection, so on.

**Rohit:** And my last question is I mean, so next year or I mean, next financial year, is when Revlimid goes off patent and we could see a substantial decline in earning. I know this question has been asked many times, and we are now very close to that date. So, I mean, how does the management think about the business? We have a pipeline, I agree but just from let's say, FY '27 onwards, how do you think building that base which is going to be a big gap to fill, so if you can share some thoughts.

**Rajeev Nannapaneni:** Again, see that challenge everybody faces. I think we all have very good products. I mean we had this in history. If you look at Natco's history, we always had these big products. Glatiramer used to do extremely well, but now it's declined a bit. Tamiflu used to do extremely well and then over a period of time it declined. So, we just have to keep finding something new. That's the challenge that I face and everybody faces. I think in markets like our business and pharmaceutical business where everybody is well financially geared, there's very little money that you could make in a product where there are multiple suppliers. So, we can only make money in the niches.

Now I have said this many times, I will repeat it one more time. Unless you get niches right, you can't have earnings growth. So, I think I have been saying this, and I will say it again. What do we have to replace it? I mean, Semaglutide. I have said that we have FTF on that product. So, on certain strengths, we have FTF and Wegovy we also have FTF. So, in circumstances, we have sole FTF. So, I mean, that's probably one big idea. Then we have other first-to-files like Yondelis, Trabectedin, Olaparib. I mean we all have to see how these things work out. But the trick is that you have over 3 or 4 of these and in the next 2 years, you build another 2 or 3 ideas, then you have about 6 or 7 ideas and hopefully, we will be able to generate consistently something every year. You'll have 1 or 2 years where you'll have a bit of a gap. But you have





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got to accept it. I mean you just can't fight it. You have to keep building the pipeline and hopefully you are able to make an acquisition, which strengthens your base business and that's how you have to look at it. There is no other way.

**Moderator:** The next question is from the line of Amey from JM Financial. Please go ahead.

**Amey S:** Congratulation to Rajeev on good set of numbers this quarter. The first question I have on the division, which we are talking about. First, why RoW market? What is your thought process there? And will it be a front-end acquisition? Or you want to do some acquisition related to technology, which could help you maybe build your R&D? but if you can give some clarity on the thought process of the EM?

**Rajeev Nannapaneni:** Emerging Markets are very interesting, They are very consistent. They are a lot like domestic. I mean, there you have local brands and you have a sustainable business. You have a distribution arm, which is consistent and large and gives you stability in earnings. I have my own views on this. I personally believe this is the market to go to. It will give you more broad-based earnings and consistent earnings. Acquisitions in India are very expensive, I don't think they will give you the return on capital that you deserve and I think you need to go out.

Regulated markets, we are already fairly saturated in that business, and we have fairly strong presence in it. So, I think the only gap is the rest of the Emerging Markets and this is the way to go and I believe that this is the way forward. This is how I see it in terms of acquisitions of the area where valuations have not run away compared to our home market.

**Amey S:** So, should we expect you to consolidate your presence in existing RoW or we would see new markets coming up?

**Rajeev Nannapaneni:** Anything is open. I mean we look at different aspects all the time. I mean unless you close something you can't really stay at a particular position like you asked me. But we are looking at things. I mean, again, I don't have an answer to your question, but you asked me what I am going to do with the money. So, this is what I feel we should do with the money, and I am giving you my reasons for it.

**Amey S:** And the next question I have is on the filings. Last quarter, we had said there would be interesting filings over the next few months. Have they already been done, or we are still in the process of filing this project? And will those be a near-term opportunity post Revlimid, or would we be part of?

**Rajeev Nannapaneni:** I mean, we are looking to file a few products this year. Hopefully, we are able to pull off a couple of FTFs. Again, I don't have any news for you. I mean, we filed one recently. We filed a product called Rimegepant for migraine. But it was like, I think, 7 or 8 filers on day 1. So, it kind of



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takes away the charm. So, I mean, unless you file and look at the position, I mean your patent position, number of filers who have filed on that day, you can't tell whether you have a unique position. So, we keep trying, as I said a few minutes ago, with the other person who asked me. We just have to keep filing different things, and hopefully, we will get something.

**Amey S:** But generally, we do have idea, right, on this? Because the product we talked about is oral solid ODT basically largely. So, maybe there could be a possibility of filing but maybe if the complex injectable is there in the R&D or something like that.

**Rajeev Nannapaneni:** We have umpteen number of ideas. I think it's not the lack of ideas. It's only about execution. I was just saying, right, if we pull off another 3 ideas in the next 2 years, we have done a great job. So, then add for your pipeline post '27. So, that should be the objective. And I mean, if you ask me, if I look at my R&D pipeline, I have at least 5, 6 ideas. But by the time you file, you should hope that somebody doesn't files. You should also hope that you will be the first to file. There are so many moving parts, so it's very difficult to judge. In this business, you are competing with the few played by the molecule. You are probably competing with about 4 or 5 guys, you have to beat. So, in a way, it's easy, right? If you are able to get 4 guys, you win the race, right? But at the same time, your execution capability, your timing, and your science plays a big role and as I said, if you are able to pull off 2, 3 of these ideas, I think you have done well. So, let's hope.

**Moderator:** The next question is from the line of Bino from Elara Capital. Please go ahead.

**Bino Pathmarampil:** Congrats again for a great year. I am just thinking beyond Jan '26 on Revlimid. Does the distribution agreement and profit share agreement which you got, continued beyond the settlement date of Jan '26 in pretty much the same term?

**Rajeev Nannapaneni:** Yes, we have an arrangement with Teva that will continue.

**Bino Pathmarampil:** And the profit share will be pretty much earlier same term.

**Rajeev Nannapaneni:** Yes. I mean for the U.S. market. We are working with them in the U.S. market.

**Moderator:** The next question is from the line of Tarang Agrawal from Old Bridge PMS. Please go ahead.

**Tarang Agrawal:** Just 1 question. The 2 years that Revlimid has come through, how is the pricing traversed say from the first time that you launched till say Q4 of FY '24? And in the short term, in the next 20, 21 months, do you have a view on the stability of pricing?

**Rajeev Nannapaneni:** I can't answer that question. It's strategic..

**Tarang Agrawal:** Maybe not the future looking, but how was it traversed in the last 2 years?



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- Rajeev Nannapaneni:** It goes by the market dynamics. I think that's the answer I can give you.
- Moderator:** The next question is from the line of Nikhil from SiMPL. Please go ahead.
- Nikhil:** Yes. Congratulations on good set of numbers. Three questions. One is if we look at Revlimid, we had this Canada launch based on the tender. If you have to draw parallels between how the Canada market behave for Revlimid and how U.S., would there be any parallels which can be drawn in terms of how much pricing? Or would you say it would be completely different because it's a REMS product. So, the whole idea was that the pricing erosion once it goes up and may not be the way most molecules happen. So, are there any parallels, which can be drawn between Canada and U.S.?
- Rajeev Nannapaneni:** See, you know that we don't market the products in the U.S. Teva decides the strategy and Teva decides the pricing. Every market is very unique. You can't draw parallels between any. Canada is a completely different market. I mean, how the product is distributed and how the tender cycles work. So, to answer your question, no, you can't draw parallels, it's a different world, 2 different countries, 2 different markets, 2 different strategies and different marketing partners. So, nothing is comparable, honestly. Every market is unique in their own way.
- Nikhil:** Second question was on Crop Sciences business. So, we had a couple of products on Pherom based, and there were more on the pipeline and even CTPR combinations and all. Now, 1 year down the line, we have done the launch. What do you think could be changes which we need to bring into our execution? And one of the reasons for going into Crop Sciences was the idea was that this will provide some stability to the base business and can be scalable and very profitable. So, are there any changes to that assumption from where you begin and today, how you see the business?
- Rajeev Nannapaneni:** I think we have done well with the CTPR combination. Pheromone has not taken off as well as we thought. I think it's a lot of appreciation for the product, but I think the pricing has been on the higher side because of the cost of goods being high. So, the adoption has not been as strong as we would like to because at the end of the day, India is a very price-sensitive market. Overall, we are trying to expand our portfolio. So, we are present in multiple segments so that we can have a larger sale and we are trying to increase our portfolio and try to do a lot of unique launches.
- I think we are doing well. I mean, started off well, it's a reasonably large brand business. I mean, to build Rs. 100 crore brand business for a business that you are not aware 3, 4 years ago, it's a pretty laudable achievement. I think things are going as per our expectations. But it will take another 2, 3 years for the business to get established. I think things are on track, that's my sense.



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**Nikhil:** And last question. See, Rajeev, you have always talked about that acquisitions in India are pricey. And we have seen this happening in the market. And if you look at the nonregulated market acquisitions, the amount of cash which we are generating, even after this acquisition, we will have some cash. So, when you are thinking about deployment beyond 2030 and the whole idea for us has been looking at opportunities in oral dosage. But do you think that at some point, we may look at changing our line of approach maybe towards more biosimilar or completely different technology for products beyond 2030? Just how do you think about the pipeline beyond say for R&D beyond 2030 kind of business? So, do you think there can be a large investment here?

**Rajeev Nannapaneni:** See, I will tell you, every business goes through a churn, what worked 5 years ago, won't work anymore. You need to sort of reinvent your business every year, every moment, you have to reinvent yourself. See, what I did 15 years ago, if I do now, it won't work. Similarly, what you are doing now won't work in the next 10, 15 years. So, is your question that, we have to constantly reinvent ourselves? Absolutely correct. So, I think my sense is, yes, you need to work on your molecules, you need to go to newer markets. So, what we are doing what is easy, which is going to newer countries, expanding geographically, and going front-end compared to the model, which was distribution model. So, I think we have moved up the value chain. So, that's a big change that I made in the last few years compared to what we have done in the past.

We continue to invest in more complex generics, drug deliveries, oligopeptides, that type of product. So, it's another thing we are doing. Another thing that we are talking about, like, for example, CAR-T is another area that we are investing in. So, you have got to keep your fingers in different pies. You got to constantly keep investing. I am just giving you a flavor of what we are doing. But I see as of now, we are trying different things. We are trying one NCE. We are trying hard to do generics, we are trying geographical expansion. So, we are trying different things. We are trying 5, 6 ideas.

Eventually, you land somewhere and based on that, you see something clicks, then obviously, we will go to the next level as a firm. But I take your point. I mean, yes, you are absolutely right. You just have to keep reinventing yourself. You are absolutely right that the future drugs are all going towards rare diseases and biotechs. They are not sticking to the chemical tabs, absolutely. I think you need to reinvent yourself absolutely.

**Moderator:** The next question is from the line of Rashmi Shetty from Dolat Capital. Please go ahead.

**Rashmi Shetty:** Congratulation on good set of numbers. So, I have 2 questions. First question is related to the domestic business, given we have taken Rs. 35 crores cash and there was some change in the business model. If you can give more color on it? And if you can also give information whether the impact is over or we are going to see in Quarter 1 as well. And since we were doing quarterly sales of Rs. 100 crores in India business, advance is Rs. 35 crores. We are still running at the



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rate of Rs. 85 crores or something. This is just a quarter-on-quarter basis, or we would be able to maintain this Rs. 100 crores quarterly? This is something which we want to do.

**Rajeev Nannapaneni:** It's a onetime charge because we just changed a few things and the way we are distributing. I think the run rate is still 95% to 100%, There's no change in that. Absolutely there's no change in it. You can see even if we take the reversal, our annual sale is nearly close to Rs. 400 crores in spite of the reversal. So, I think there's no change in that. We are consistent. The business is doing well. The secondaries are doing well. We believe the business is growing around 8% to 10%. We are looking at some jackpot ideas here as well. I mean, hopefully, we will be able to execute a couple of good ideas. But no, I don't see a challenge. I think the base business is fairly consistent. It's one-time.

**Rashmi Shetty:** And we will be able to grow 14% to 15% from this level, whatever we have done around Rs. 386 crores in FY '24?

**Rajeev Nannapaneni:** I think so. Yes, I would believe so. I think the way things are going, yes. I would believe so.

**Rashmi Shetty:** And my second question is related to gCopaxone. In the U.S., if you can comment more on how the sales were during the year, whether the market share is steady, you are seeing any sort of price erosion or any erosion in the market share if you can comment on it.

**Rajeev Nannapaneni:** It's been consistent. I think it's done well. there are only 2 generics, Sandoz and us. So, Mylan has done extremely well with this product. But as you know, a lot of the multiple sclerosis patients have moved to the oral formulation as opposed to the injector formulation. There's been a slight decline in the consumption of this product. But overall, it has its position, and I think it's doing reasonably well. It's been steady as of now.

**Moderator:** The next question is from the line of Kunal Randeria from Axis Capital. Please go ahead.

**Kunal Randeria:** Rajeev, earlier you used to mention that the base business PAT was around Rs. 200 crores to Rs. 250 crores annually. So, does it still stand? Or is it higher or lower than what you had previously mentioned?

**Rajeev Nannapaneni:** Sorry, I didn't understand your question, Kunal. Can you rephrase that question? What is Rs. 250 crores? I am sorry. I didn't understand what you said.

**Kunal Randeria:** The base business PAT, profit after tax, you used to mention it should be around Rs. 200 crores, Rs. 250 crores. You used to mention this, maybe 2, 3 quarters back. So, just want to understand, whether it still holds or is it better or has it gone down a bit?



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**Rajeev Nannapaneni:** . I think it's improved, but there are a lot of other R&D expenditures that were there. So, I mean, I can't really tell you like this quarter, we are doing this much; or that quarter, we are doing that much. But I would say, I mean, honestly, I don't have an answer to your question. It is probably around maybe Rs. 350 crores to Rs. 400 crores PAT, I would believe, yes. I think around that. If you put me on a spot and ask me like this, I can't answer because there's so many moving parts. But if you want me to like, I mean, answer it in a broad sense, yes, it sounds about right, yes.

**Kunal Randeria:** And secondly, just thinking out loud here, Rajeev, Revlimid kind of settlement was a bit unique in the industry. Do you think that such kind of settlements between generics and the innovator will occur in future also? Or is it that because a lot of generics were also sued, it may just discourage such settlements?

**Rajeev Nannapaneni:** I don't know Kunal. I don't have an answer to that question.

**Kunal Randeria:** I just wanted to get broad thoughts on this on the same. Just lastly, Rajeev, I think Kothur plant is under regulatory scanner. Just want to confirm that all the new filings you are doing, are they from multiple sites of business? I want to understand our derisking strategy here.

**Rajeev Nannapaneni:** I mean, we have 2 sites for the U.S. So, we have Hyderabad, and we have Vizag. So, like Rimegepant that we filed recently, we filed from Vizag. We can use these 2 sites, but sometimes we also use the CMO, because our model is doing niches, right? So, like Semaglutide, this is a CMO. So, it's not that everything has to be done in-house. The way our model works, because we do so many niches, we could always move it around, it is not very difficult. We always for our top products keep 2 sites as a backup.

**Moderator:** The next question is from the line of Ritika from Valuequest. Please go ahead.

**Ritika:** My first question is on the U.S. business. So, what are the key launches we expect in the next 2, 3 years? If you could highlight that? And majorly, we will see Revlimid going off patent in FY '26 end. So, what should be the key launches? Or how should we expect which products or how should we expect these Revlimid revenues to offset?

**Rajeev Nannapaneni:** What are the key launches you are saying in the next few years? Is that what you said?

**Ritika:** Yes. Yes.

**Rajeev Nannapaneni:** So, we mentioned that, Semaglutide we mentioned, Olaparib we have mentioned. Carfilzomib, we have mentioned; Trabectedin, we have mentioned. So, I think this is all there in the investor presentation. In terms of size, I mean, Semaglutide is the biggest, and then Olaparib is the next biggest one and then we have Imbruvica, but we must see what happens in the court case. So,



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then Trabectedin and Kyprolis. So, they all have different levels of values. But we have 5, 6 ideas.

**Ritika:** In the next 2, 3 years, do you expect any of these products to come to get launched?

**Rajeev Nannapaneni:** We can't answer that question directly because the settlements are bound by confidentiality. So, I think closer to the launch, I think we can discuss it. They are all going to play out in the next few years. That's correct. But the litigations are not resolved. So, there's no answer to that question. So, once that are resolved, we can't tell the date because they are bound by confidentiality, but they will open up in the next few years.

**Ritika:** Last question is on Agrochemicals. You mentioned earlier that if you take 2, 3 years for the business to get established. In your sense, how are we seeing growth from CTPR in the next 2, 3 years and also the overall agrochemical business?

**Rajeev Nannapaneni:** I think we have a very good pipeline. we are expecting this business. our internal target is that this business has to triple in the next 3 years, we want to go to Rs. 300 crores. So, yes, I think that's the target that we have given. So, let's see how. Hopefully, we will be able to do it in the next coming few quarters.

**Moderator:** The next question is from the line of Naman Gala from Ventura Sector. Please go ahead.

**Naman Gala:** Actually, sir, if you could just highlight the different growth drivers for your all the segments till FY '27. And what kind of revenue growth can we see across the segments?

**Rajeev Nannapaneni:** There are 3 or 4 issues as we will look at. We need to have clarity on some of the niche filings that we have, which we will be able to get in the next few years. So, I think we mentioned the First-to-Files already, and then we will hopefully add a few more files to it. So, that's probably one moving part. The second portion is the base business, how our RoW will do, how well we will scale up in the RoW markets as the second goal driver. Third is the acquisition, I think we are able to consummate acquisitions. So, that will also strengthen the business. I think these 3 tracks are the most important things that we need to take care of to achieve consistent growth in the next few years.

**Naman Gala:** My second question would be what would be the employee count for the year? And we can see that the employee roster has come down from 18% to 13.9%. So, can we sustain the current level?

**Rajeev Nannapaneni:** . I think sustaining the current level of costing on the employees or the number of employees.

**Naman Gala:** Number of employees.



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**Rajeev Nannapaneni:** I mean it all depends on how the products do. But I think for now it will hold up and the percentage that you said will hold up. Total, without the contractors in the part, if we remove the contractors, is what about 5,000 employees in the system and if we include the contractors and everyone, I think it's about 5,700 to 5,800. It's my understanding.

**Moderator:** The next question is from the line of Chetan Doshi from Tulsi Capital Services. Please go ahead.

**Chetan Doshi:** Congratulations for the excellent set of numbers. And as per the guidance, you have performed very well. So, congratulations to the entire team. So, my specific question is that we have taken a hit as far as API revenue is concerned for the last quarter. So, this is onetime, or this is going to be a regular feature. And the second question is regarding the Crop Health Science, wherein you have underutilized that division. So, you are planning to launch some products and buy some raw material and then it was discarded? What is it that Rs. 30 crores is you have accounted for?

**Rajeev Nannapaneni:** The hit is a onetime overall, the Rs. 90 crores. So, the domestic, as we explained a few minutes ago, it was a change in the business model. The secondary sale is consistent and close to Rs. 100 crores a quarter. So, I don't see any challenge there. Your question is specifically why we take a hit on the agro. So, what we did was we built some intermediates capability at a third-party site and we were using it for the launch of the agrochemicals that we are making internally at Natco.

What has happened is there has been a dramatic change in the market environment where the pricing has dropped dramatically for the intermediates and we are not utilizing that intermediate capability. So, because we are not utilizing the intermediate capability, we had to make a provision for non-utilization of that. So, we took a hit on depreciation of amount and certain advance we gave to that supplier. So, I think that's why we took a Rs. 30 crores hit.

**Chetan Doshi:** So, that is one time. And you are targeting Rs. 300 crores in this segment in the coming couple of years, right?

**Rajeev Nannapaneni:** Yes, absolutely.

**Moderator:** The next question is from the line of Sandeep Dixit from RJV Advisors Pvt Ltd. Please go ahead.

**Sandeep Dixit:** Just a couple. Actually, one question on margins. We have seen a massive spurt in these margins over the last 12 to 18 months. Is this sustainable going forward? Or is it the new of Natco Pharma?

**Rajeev Nannapaneni:** I mean it all depends on the product mix. I think we have a good product mix, the margins are sustainable. So, I think it all depends on the product mix.





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**Sandeep Dixit:** I understand that. But I mean, let me look at these numbers. They have gone from 29% in FY '21 to 33% to 43% now. So, obviously, product mixes don't change quarterly or whatever. I presume they change reasonably over, let's say, a few years. So, should we say that these are the kind of margins which we can look for over the next year or 2?

**Rajeev Nannapaneni:** . Based on the product mix holding up, yes.

**Sandeep Dixit:** And then, I mean, if you are talking about a 15%, 20% top line growth, stable margins, isn't your 20% profit growth a little conservative?

**Rajeev Nannapaneni:** There's always something that you never know will happen, right? So, why promise something. The other person asked me, is there going to be another one time. There's always something that will go wrong, right? I mean something has to go wrong, will go wrong. Say less, then you do more, people are happy with you. If you say more and you do less, everybody is unhappy with you. So, I think that's my way of looking at it.

You never know. See, I will tell you something. I mean, honestly, when you ask me for a projection, I make it with our best estimate. But there's always so many moving parts that happen in the business, it's tough to sort of guide, I think you can only make an estimate based on what you believe will happen. And there are always so many unforeseen things that happen during the year. Our business as large as ours, you are always going to have surprises. So, that's why you are better to be conservative.

**Moderator:** The next question is from the line of Deepak Malhotra from CapGrow Capital. Please go ahead.

**Deepak Malhotra:** I have few questions. First question is regarding the other income. I just wanted to understand the breakup of the same. I mean is it going to be a concurrent feature going forward since we have a bit of cash on the balance sheet, please?

**Rajeev Nannapaneni:** Other income of Rs. 42 crores that we had in the last quarter. I think Rs. 30 crores are coming from interest from the deposits. I don't have literally itemized breakup, but I would say most of it is coming from interest income from the deposits.

**Deepak Malhotra:** And before I ask my second question, I obviously want to congratulate, I mean the management team for what you achieved. I think this is quite spectacular indeed. Now most of my questions have been kind of partially answered and just to rephrase, you talked of basically reinventing the business in terms of the growth strategy going forward? And when you set up a target of 15% plus both on sales and PAT, there are still no easy sweet spots when we look at the key Para-IV filings, and how complicative the market is. Why you have obviously taken decisions to get into Crop Science business. And you talked of growing the business 3x going forward.



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But since you have already cash of close to Rs. 2,000 crores, and you mentioned the CAPEX of Rs. 350 crores. You also alluded to a possible buyback or an acquisition. While you also made a small investment in Cellogen, cell and gene therapy solutions, what my question is, I mean, how are we really trying to reinvent ourselves and actually achieve this growth? Which key markets are we targeting? And what key therapeutic segments you are looking? Again, you alluded that we are looking at new molecules, which will basically address the new kind of disease and so on and so forth. So, I know it's a little a broad question, but more strategic in nature, Rajeev.

**Rajeev Nannapaneni:**

Nothing is easy. So, I mean, you come back and say that is it easy to find more Para IVs, especially when you are competing with people who all have cash and who all are very large companies, yes, it's not an easy business by any sense. But I think we have proved ourselves consistently over the last decade that we can deliver these complex generics. And we have good execution capabilities. I think there's no doubt in that. We have a knack for finding these niches. I still believe, answering your call that there are enough opportunities. You just have to put your heart and strategize smartly. There are enough ideas that you can execute. It's not difficult. But I think it's a lot of work and you need to have clear line of sight, clear strategy and hire the right resources and to execute the strategy. There are a lot of opportunities. They are harder, yes, absolutely correct, but there are a lot of opportunities.

I gave some color to it few minutes ago. I mean we said we can look at Oligopeptides. We can look at drug deliveries, We can look at niche Para-IVs, hard-to-do oncology products. So, there are opportunities. I mean these are just some examples of what you could do.

Where you see this is going? I mean, I said we probably have to do a geographical expansion, as I said. We have to probably do an acquisition. But these are the 3 pillars we have to build the business and hopefully, we are able to check all the 3 boxes. If we don't get the 3 boxes right, I don't think we can grow. it's very clear. So, we have to get all the 3 boxes, right, geography expansion, niche filings and an acquisition. we have to get all 3 of them right, - at least 2 out of 3 we have to get them right. But that's the challenge of the business, right? I mean that's how it's going to be.

**Deepak Malhotra:**

Yes. Just to pick up on that. In terms of the way Revlimid has been such a staggering success, over the next 2, 3 years, I know it won't be possible to share in terms of the acquisition targets or what exactly you are looking at internally. But how close are we, say, in terms of 2 things: a, in terms of, as you mentioned, about 5 to 6 key Para IV filings you are looking at and making a success just 2, 3 out of 10 over the next 2, 3 years. So, how close are we to that? a, and b, in terms of any acquisitions, , how close you think you are in terms of securing any such deal and fructifying the same, please?



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**Rajeev Nannapaneni:** We have consistently delivered these complex filings, right? I mean every year, we come up with something all the time. So, as I said a few minutes ago, , the next 2 years, we achieve 3 first to files with limited competition. it's a tremendous success, 2 to 3. Even if we deliver like 1 to 1 and a half idea here, I think we have done a great job.. That's all I can tell you, we are at it, and we believe we are able to pull something off. I mean, unless I show you something I can't come back and say I have done it, right? So, all I can say is we have a good feeling, and we are able to do it. We have a good track record and that's the best way I can answer the question.

Next question. This is my last question.

**Moderator:** Okay. The next question is from the line of Amit Agicha from H. G. Hawa & Company. Please go ahead.

**Amit Agicha:** Congratulations for the set of numbers. My question was specifically targeted towards the depth of the Company, which is having Rs. 116 crores. I think so I heard, and we can save by repaying this Rs. 19 crore tax interest which you are paying. Is the Company looking out for repaying the debt and becoming debt free?

**Rajeev Nannapaneni:** Yes, Rs. 116 crores and out of the Rs. 116 crores, honestly, I tell you what the split is, this is as of today, okay? So, Rs. 40 crores is an EPC credit. You can only pay it back on that particular date, You can't prepay it. So, you have to receive a certain receivable which will set it off. Rs. 76 crores is a foreign discounting, which is self-liquidating. So, I mean it's just receivable that you sell , it will get paid in 60 to 90 days. If you set off the formal discounting against the receivables, I think, more or less at a net debt level, it's zero. So, it's not a large amount. I mean these are only used for working capital operations. I wouldn't be too concerned.

**Amit Agicha:** So, this is almost debt free?

**Rajeev Nannapaneni:** I mean at a net debt level, we are actually net cash. I will state the numbers, so Rs. 2,004 crores is cash and listed shares and investments and deposits and Rs. 116 crores is the debt we have as of today, yes. That's correct.

So, that's my last question again.. Thanks for your questions and your inquiries. And I appreciate the time you guys have spent talking to us. Good day. Thank you so much. Thank you all.

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