Date: 2nd August, 2021

To,
The Manager,
Listing Department,
National Stock Exchange of India Limited
"Exchange Plaza"
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051

Dear Sir/Madam,

Sub: Transcript of Post Results Conference Call

With reference to our intimation dated 15th July, 2021 regarding schedule of Post Results Conference Call, please find enclosed herewith the transcript of the said Conference Call held on 26th July, 2021.

We request you to kindly take the same on record.

Thanking you,

Yours faithfully,
For Alembic Pharmaceuticals Limited

Charandeep Singh Saluja
Company Secretary

Encl.: A/a

"Alembic Pharmaceuticals Limited Q1 FY22 Earnings Conference Call"

July 26, 2021

MANAGEMENT: MR. PRANAV AMIN –MANAGING DIRECTOR
MR. SHAUNAK AMIN – MANAGING DIRECTOR
MR. R. K. BAHETI – DIRECTOR (FINANCE) & CFO
MR. MITANSHU SHAH - HEAD -FINANCE
MR. JESAL SHAH - HEAD - STRATEGY
MR. AJAY KUMAR DESAI - SENIOR VP -FINANCE

Moderator: Ladies and gentlemen, good day, and welcome to the Alembic Pharmaceuticals Limited to discuss the company's Q1 FY22 Financial Results. We have with us today from the management, Mr. Pranav Amin - Managing Director; Mr. Shaunak Amin – Managing Director; Mr. R. K. Baheti - Director -Finance and CFO; Mr. Mitanshu Shah – Head-Finance; Mr. Jesal Shah – Head-Strategy and Mr. Ajay Kumar Desai - Senior VP - Finance.

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 * then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. R. K. Baheti - Director Finance and CFO from Alembic Pharmaceuticals Limited. Thank you and over to you, sir.

R. K. Baheti: Thanks. Good evening everyone. Thank you for joining the first quarter results conference call. I am sure you would have got the results by now; however, let me briefly take you through the numbers for the quarter ended 30th June 2021.

During the quarter, our total revenue was flat at 1326 crores, EBITDA was 19% of sales at 254 crores. Pre-R&D EBITDA is 31% of sales, profit before tax degrew 46% to Rs. 199 crores while after tax profit degrew 45% to 165 crores.

EPS for the quarter is Rs. 8.37 per share for the quarter. This is versus 15.99 in the corresponding quarter of the previous year.

We are withdrawing our EPS guidance for the year 2021-22 on account of softness in US business due to additional competition which has led to price erosion as well as delay in FDA inspection of our facilities.

CAPEX:

CAPEX for the quarter 124 crores.

cumulative CAPEX for ongoing projects under CWIP including the preoperative is Rs. 1892 crores.

Financial assistant to Aleor JV for the quarter is 55 crores.

Borrowings:

The gross borrowing at consolidated level is Rs. 500 crores, essentially these are long-term debentures, and the Company has Rs. 273 crores as cash on hand, so the net borrowing is 227 crores.

Net debt equity is negligible at 0.04.

I will now hand over the discussion to Pranav for his presentation on the International business.

Pranav Amin: Thank you Mr. Baheti.

As you are all aware, the US business has over the last 5 years had an exceptional growth, we had a massive, very impressive CAGR hit. A lot of its growth was on the back of the Sartan opportunity we are lucky it lasted much longer than we had anticipated. The early part of last year also threw up additional opportunities due to COVID related disruptions. Since this was a challenging quarter on account of intense competition in the market, a long-term view of the US business still remains bullish. We will do minor strategy tweaks.

The ex-US ROW business continues to do well and grew at 13% during the quarter.

Just to refresh your memory this is a business that had impressive growth last year because year before we had serialization.

The API business also continues to do very well and grew at 6% during the quarter. This was pretty good considering that last year Q1 saw lot of growth in Azithromycin and some of other APIs due to disruptions from China supplies.

Our R&D expense was 167 crores in the quarter which is approximately 13% of sales.

We received 7 approvals, launched 2 products.

We have cumulatively 146 ANDA approvals. With this includes 18 tentative and we are trying to launch around 5 products in the second quarter.

The international formulation business degrew by 27% to 566 crores for the quarter and the US generics degrew by 38% to 369 crores for the quarter.

Ex-US generics grew by 13%

API grew by 6%.

I will now hand over the discussion to Shaunak for the India business.

Shaunak Amin: Good afternoon everyone.

For the quarter, we saw nice ramp up in India business despite challenges related to COVID. The overall business grew by 57% between the three key segments, the specialty grew by 29%, acute grew by 122% and veterinary continued to perform, grew by 45%.

There was some amount of COVID related challenges in the market for the non-acute and acute portfolio definitely there was some amount of pickup which was due to the sharp uptake in cases.

Our specialty business grew despite all the lockdowns which affected the business from a long-term point of view. We managed to control the business and make it sure in this quarter. At this point in time, in India business, we see enough pockets of growth across the portfolio both in the acute, specialty as well as veterinary. We continued to perform and we are confident of the business. We still foresee some COVID related disturbances to happen in the market, may be in the quarter, hopefully it should be much less, but we have come to terms of managing the ups and downs in the businesses. High finishing rate with the doctors is definitely giving a positive impact to the business despite the lockdowns. We are quite bullish on the business, and we continue to tap these opportunities for growth. We look to scale up parts of our business, but we are pretty mindful of the pandemic related challenges at this point of time. We are committed to grow in the business and we keep good opportunities to invest and expand this business and make it grow.

Now I would like to open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sriraam Rathi from ICICI Securities. Please go ahead.

Sriraam Rathi: Sir, firstly on US market, like last quarter we were expecting at 55 and 60 normal run rate, now we are around 50, is it purely because of higher competition and is the impact of competition in Theophylline is also into this number?

Pranav Amin: Sriraam, it is pretty much only due to additional competition and the US, nothing else. We were seeing this trend moving forward. We have not seen a full effect of Theophylline because that happened towards the end of Q1, but that will happen as well moving forward to Q2. We were expecting a higher run rate and I still hope that we will get to this 55 kind of run rate moving forward. We are doing some fine tweaks. Yes,bulk of it is due to pricing pressure in the market.

Sriraam Rathi: In that case, Theophylline can have additional impact in Q2 and the number can still be more around this number or will be lower?

Pranav Amin: What will happen is two things, one is, on the volume side, we haven't seen so much change on the volume, may be Q1 little bit of an impact on volumes, but we are picking up new awards, we are getting more business, we are working on some cost rationalization in-house. So hopefully with those things, we will be able to pick up more business moving forward in Q2, Q3. To counter, we will see additional competition in Theophylline and some of the other ones.

Sriraam Rathi: And one, on the gross margin side, like this quarter we are around 71%, so now we can say this is more of the normalized number, now that should be?

R. K. Baheti: When we had these margins of 78-79%, I was always making a cautious statement that they will come down. Those were part of those high prices we could get during the disruptions. India prices are static. India cost also remain more or less static, some increase in API prices, but not significant, so it depends on at what prices do we get to sell in US, that will determine the gross margin number.

Sriraam Rathi: Sir, any update on the Karakhadi unit after we just got observations and any progress on that?

Pranav Amin: No, nothing since the last year when we spoke same way just in back and forth with the FDA, we are just waiting to hear from them, let us see hopefully in next couple of months, what stand they take.

Moderator: Thank you. We will move off to the next question which is from the line of Prakash Agarwal from Axis Capital. Please go ahead.

Prakash Agarwal: My first question is on Rs. 50 EPS guidance that we had given, is there any thought there? Do we maintain it or how do you think about it given the first quarter has been little weak?

Pranav Amin: May be Prakash, you might have missed the opening statement. Mr. Baheti said that temporarily, we are withdrawing this guidance due to lot of uncertainty that we are seeing and some softness in the US market.

Prakash Agarwal: But, is there any revised guidance for this year?

Pranav Amin: No, I think right now due to the dynamic situation, we would rather refrain from giving any guidance.

Prakash Agarwal: And on the gross margin, somebody asked, but I see my sales mix has gone favorable, India piece is higher versus last quarter Q4 numbers and US in the last quarter only we said that sartan opportunity is going or fading away and despite that we have seen another $15 million decline, so A, what has really happened Q-on-Q in the US from Q4 to Q1 and B, despite India business moving up where gross margins, so is that everything sitting in that $15 million which is where the very high profitability, would that be correct or how should we think about it?

Pranav Amin: Yes, I think the right way of looking at it is as I am saying, the volumes haven't moved as much for the US markets, so pretty much what we have seen is on account of pricing.

Prakash Agarwal: So these are now the real state or do we expect one more round on this or this is on the base level portfolio, there is no special pricing on these products?

Pranav Amin: As I mentioned it is very difficult to predict and too dynamic, that is why we are not giving a guidance and I don't know because of corona and it really depends how, the competition is on the market, so I refrain from giving any guidance on that.

Prakash Agarwal: Because last quarter, we heard you saying that you have visibility of 10+ products, both in overall terms etc., and we also expect in second half with the US FDA inspection obviously happening, second half onwards may be there is an injectable business coming back on stream?

Pranav Amin: Basically in near term, we will see some challenges, I don't know how much and to what extent whether this is the new normal or what is going to happen. Long-term, our view of the US business is still intact, long term I believe we should be okay and I am still quite bullish on the US market.

Prakash Agarwal: And that 10 plus launches remain?

Pranav Amin: Yes, that will remain, probably more, closer to 15.

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

Anmol Ganjoo: A slight reiteration of what got asked by the earlier participant, so if you look at the US, there are 2-3 factors, one is the product launches on which we obviously seem to be holding what we had articulated earlier, 10+ product launches, second is that if you look at last quarter, commentary with respect to Sartan pricing and we all these things tend to undershoot once competition sets in, so that obviously has happened, so I don't think this is a real surprise, so why therefore a view that despite domestic formulations doing well and the suspension of guidance, what is the real directional surprise during the quarter, that is what I wanted to understand because everything else obviously seems not very different from what we understood last quarter and is there anything which has incrementally worsened with respect to landscape you are still conservative?

Pranav Amin: I will just give a brief I will give it Mr. Baheti has whatever else. Why the withdrawal is, Anmol because few things have happened, one is, as I said from the last quarter also till now, we have seen an incremental lot of erosion in prices in the US market, number one. Number two, we have seen that we are not seeing any guidance from the FDA in terms of when they are going to come, what they are going to do and the third is as you all know, there has been incremental competition in Theophylline, Timolol, some of these are the products which are big products, so there is lot of unknown, uncertainties in the market, hence we were not comfortable with the guidance. That is the reason why we have removed it. As I mentioned earlier, in long term we are still quite intact. I will go a way off for a second before I get back to Mr. Baheti on the guidance. I sense if there will be a lot of questions on the US business in today's call. Let me just give a flavor on what kind of things we are doing or what we are in the midst of doing. As you know, Alembic has actually captured lot of high price opportunities due to disruptions in the market. The market has changed now where everyone is back on supplies and there is no any of the disruptions. We are doing a lot of cost reduction, supply chain volume growth, picking up business, bidding for new businesses and I think we will see the effects of that in Q3 definitely but may be in Q2 also as we are picking up some volumes, picking up some business, rationalizing some R&D spend while rationalizing our other expenses as well. That's what the strategy is moving forward because of high price opportunities are not there, there is lot of fluff in the system and we are trying to correct. Mr. Baheti on guidance.

R. K. Baheti: I think you have covered.

Anmol Ganjoo: Briefly, two more quick questions from my side, so obviously this quarter, the competition is over shot expectations and we seem to be stabilizing around $200 million annualized run rate on the base, Sartan ideally should have worn off so incrementally I don't think that the portfolio is vulnerable to Sartan pricing at least. Theophylline again, if what has happened this quarter is anything to go by, the risks should be on margins, not as much on volume, so I think with lot of these things happening which were expected as you highlighted, then $200 million plus the launch rate of new products that is how we should be budgeting for the US growth on a full year basis, is that correct in terms of assessment?

Pranav Amin: If you extrapolate from this quarter, yes, that could, but again there is too many unknown, that is why I don't want to give the guidance on the number.

Anmol Ganjoo: And second question is on the domestic formulation good show there so obviously that has been very impressive, but if you look at the drivers, is this is the new normal or you think that there will be lot of work required to stabilize it to this number and again as one of the earlier participants highlighted, the domestic growth at this rate should obviously be able to buffer the margin dilutive developments in the US market, although it is still of a very high base, but domestic coming back, both from a cash flow perspective as well as mix perspective, how should we be extrapolating it going forward in terms of drivers?

R. K. Baheti: I would request Shaunak to respond to the business environment part and then I will take the financial numbers.

Shaunak Amin: Yes, Anmol, you know honestly the market is so dynamic, the lockdowns play a large part in what could happen to business. Like I said ex-acute or rather ex-Azythromycin the portfolio has performed fairly well which gives me a level of confidence that a part of this is sustainable. Not only that part of the portfolio, ex-Azithral also has done well. We are fairly confident that we can maintain. Lot of the growth is linked to market growth and lot of market growth at a very macro level is linked to GDP, linked to good monsoon we have seen, there are lot of factors that play into it. As long as the market performs, we are confident outperforming the market on a sustainable basis. If this number at 57% growth is sustainable for every quarter, it is determined by market movement which is out of my control. So as long as the market stays positive there is no major slowdown in the market at an overall level, we are fairly confident out performing the market in all of our key therapeutic segments.

Anmol Ganjoo: And Shaunak if I may just kind of scratch that a little more, so if you look at the growth that we have had obviously market has done well, but if the ex-Arithromycin portfolio has done well, then there have to be market share gains as well given the big lead we will have this quarter over the rest of the market, so just trying to understand are there any drivers of market share gains in this quarter which we should focus on?

Shaunak Amin: Yes, there are market share gains. It is too small period to start tracking market share gain. I don't want to get into quarterly market share because the market is as we know even in this period, IMS data collection was affected or gets affected due to pandemic and lockdowns. There have been market share gains, but we need to see at least two quarters of market share gains.

Moderator: Thank you. The next question is from the line of Shivan M S from JHP Securities Private Limited. Please go ahead.

Shivan M S: Three questions from my side, so broadly sir, you said that the long term is pretty intact, so from that perspective considering that we have completed most of our CAPEX and once it starts getting commercialized where do we see the US business, the potential of that CAPEX to kind of drive our US business, like what would be the topline that one can expect, is it in the $500 to $600 million range and based on history and your experience, when does a particular plant reach its maximum capacity utilization once the approvals are with us, so that is my first question? The second one is regarding our gross profit margin, Mr. Baheti did mention about the gross margin, but just reconfirming that if I go back to my notes, he had said that broad range of 70 to 72% is what we normally would be confident of doing, so does that still hold? And the last one was on the modified opinion that we have got in terms of accounting for the debenture, so if you could just give a color in a layman's language that why have we not followed the accounting standard guidance and taken a differentiated stand, so that is it from me?

R. K. Baheti: Let Pranav respond to the first question, and I then respond to the next two questions

Pranav Amin: Yes, sure, our long-term view as I mentioned it still stays intact in terms of what we see in the market where it is going, yes may be couple of quarters here or there it may change due to the delay in FDA inspection and approvals. But by and large, it stands. We haven't given a long-term guidance. I have mentioned in the past that companies of similar size we should look at about 400 odd million kind of sales revenue in moving forward by FY24-25, so it still stays intact. the other part was on the capacities and when do we expect.

Jesal Shah: Basically, as you know the US approvals does take some time. We have made filings on these facilities. Now depending on when the FDA really comes for inspection and all of that it will take some time before we get approvals for meaningful products.And these assets have been built keeping long term in mind. so the whole bunch of products will keep getting filed over the next few years. As we file those products, more and more turnover can come through from the same facilities. So from a long-term point of view, while you ask the question, when do we see peak sales, it will take about 5-7 years before we see some peak sales coming from these plants based on the filings and the approval timeline and stuff like that.

Shivan M S: And if I may just add when we talk about peak sales so my question was what could that be based on your experience on a similar asset in other company or your internal assessment would have been when you alluded to have expended this CAPEX, what is the peak sales that this particular asset can give to the current block?

Jesal Shah: Basically, generic business, we have been saying that there is lot of uncertainty, but having said that overall if you look across the sector, the general sales to fixed asset ratio if you look at, it is in the ballpark of about 1.5 to 2 times and we should be aiming to achieve similar numbers over the long-term period. But again these are very broad numbers, so please don't make so many quantity to determinations from here, we are just giving kind of a direction.

R. K. Baheti Coming back on the modified approval, this is the policy which we have been following consistently, this is in respect of Aleor. Aleor doesn't make provision for interest nor does Alembic Pharma recognize the income because as per the JV agreement, the interest will be payable by Aleor only when it starts making profits. There are some conditions which are to be met. As of date, those conditions are still sometime away and that is how we have not made any provision in Aleor/accrual in APL. Actually, on a consolidated basis, it doesn't make much difference except that partners' share of loss will go up a bit, but as far as cash flow is concerned and any other operations are concerned, it doesn't impact us, because the accounts get consolidated and on your margin question, yes I have been saying this, margin is again is a factor of how sales prices are, realization are, how they behave, it would depend on that.

Moderator: Thank you. The next question is from the line of Abdulkader Puranwala from Anand Rathi. Please go ahead.

Abdulkader Puranwala: Just one question from my end, if my just look from a standalone to console basis, the profit number looks quite lower, to understand this could be partially because of the US business, but at $50 million or $55 million on a quarterly run rate, would the US business still be profitable for us?

R. K. Baheti: Yes, it is still profitable, the only thing as we have been mentioning is that ROCE has come down, but otherwise it is still profitable.

Moderator: Thank you. The next question is from the line of Bharat Celly from Equirus Securities. Please go ahead.

Bharat Celly: Sir, just wanted to understand on the gross margin side, given this quarter we had some benefit because of domestic business being higher as well as CSD line complete impact has not been there so do you see that the gross margin can further correct on the current levels?

R. K. Baheti: Very difficult to predict, what is in our hand, what we are doing, we are looking at more efficiencies and procurement. Last couple of years, our focus has been on making the goods available, so the pricing was secondary because that is how the US was getting operated, now we are looking at all ground efficiency improvement, we have reached to a number which is sustainable.

Bharat Celly: And sir, from a perspective of other expenses we have seen a sharp increase sequentially despite being a case where the overall commercial expenses have been subdued, so what was the key reason for that?

R. K. Baheti: A large portion of other expenses are not related to the US business. A large portion of other expenses relates to domestic market. Last year, domestic market expenses were very muted because of very strict lockdown throughout. This year, markets have opened up, so we have spent more on promo, we have spent more on field travels and all the field related activities, so it is closer to the normalcy.

Bharat Celly: Sir, is it a number that we can work on it or this number will continue, will it be more like a base for us?

R. K. Baheti: Expenses are never uniform in all quarters. There will be some quarters where there will be high expenses on promo and then there will be some quarters were those investments will be sweat. So, it depends on marketing strategy, but it is broadly 20-30 crores here and there, this number should stay.

Bharat Celly: And sir lastly, on the US business side, so we are saying that we are going to see around 15 launches a year, so seeing that by that fiscal end we will be returning back to the guidance of 55 million which we have guided for as average run rate for the US market?

Pranav Amin: I have not given the guidance on the 55 million sales, I just mentioned in the last call that we were seeing typically 65 million to 70 million that is coming down because we will be seeing a trend of more price erosion, that's all, that is how the number came.

Bharat Celly: But Pranav, in your assessment, can we go back to around $55 million again by the fiscal end as an average run rate?

Pranav Amin: I responded this to the earlier question as well, that if you want to extrapolate from this quarter, you can look at 50 million odd, but it is very tough to say and that is one of the reasons we have withdrawn the guidance, I am seeing it as a very dynamic market, I am seeing more competition, so I really don't know. We will have to wait for a couple of quarters to see where it settles down in order to give a formal opinion.

Moderator: Thank you. The next question is from the line of Naveen from Falcon Investment. Please go ahead.

Naveen: My question is around the US business model itself, looking into your history it seems you generally make profit when there is some sort of a structural issue or your first day filing or something of that sort, so in a normal way, the US market doesn't allow you to make much profits at all simply and the fact that this competition has come up, there is no surprise, it is going to keep happening, why because that is the way the FDA wants, it wants all the suppliers to kill themselves literally and get the medicines at the lowest cost, so what makes this business model good in your view and why……

Pranav Amin: US market for us, I don't know about others there in the market. But for us, it has always remained profitable and still is profitable. Since the inception, it has always been profitable, so I don't see any issue there, per se. In terms of the FDA, I really can't comment on that what they want, but what makes this market attractive and why are we still attracted to it or why do we keep making investments in it is that there are a few reasons, one, the addressable market size is very good. There are opportunities to make money in the US market and they continue to force that up. If you look at us over the last 5 years, we have grown at a CAGR of over 25% and every quarter has been profitable. So I think it is a good market, the addressable market size is big. Compared to the other international markets, it is a better market, because it is easy to do your own frontend in the market. That is what we feel about the US market.

Naveen: No, actually you have made profits, but if you look behind the profits, there has been a reason behind, the Sartan was completely because of supply constraints, right, it is not run of the mill businesses, not business as usual, it is like a commodity right when there is a supply constraint….

Pranav Amin: What you have to understand is that is how the US market. There are continued disruptions, but even if you take the disruptions out, it is still a profitable business. You look at us, you look at some of our peers in the Industry, there is still lot of profit to be made.

Naveen: Could you explain more of your conviction why you think that way because it hasn't happened that way because if price erosion immediately sets that?

Pranav Amin: No, why I am saying is, it has happened that way. We have a history our US business has always been profitable for us and I still think it is a big market, there are lot of opportunities to make money, if you do the business right, you get the right prices and we have seen across the board with every Indian pharmaceutical industry as well.

Naveen: You are making all these investments and you don't know what the pricing is going to be, you don't know how many competitors are going to enter so is not that a big risk?

Pranav Amin: I don't think so, I think that is the way the industry is, you have to find the opportunities, you have to ensure the variables that you take care of. Be it the supply chain, be it your sourcing, your marketing frontend, that is why there is no business with 100% certainty.

Moderator: Thank you. The next question is from the line of Abhishek Jain from Arihant Capital. Please go ahead.

Abhishek Jain: Sir, two questions, first question, how India business is doing out right now post COVID things are opening up right now, if you can throw some color on this thing, especially on the acute therapy portfolio, how the things are tapping up and ex-Azithromycin if you can throw some light, what is the growth number for India business, if you can throw some light on the same? And third question, what is the CAPEX guidance, are you maintaining your 1000 crores CAPEX guidance for next two years and if you can?

Shaunak Amin: Just to get clarity, are you asking for Q2 guidance number?

Abhishek Jain: No, how the things are shaping up, I don't need numbers and all, I just, how the trends are there right now in last one month, if you can throw some light on this?

Shaunak Amin: Market is still opening up, we are in a state of seeing the market just opened up gently, I think it is too premature to make any large statements. I don't want to get into give any absolute numbers for Q2 when you are in the middle of the quarter. The cases have come down, some amount of normalcy coming back into the markets

R. K. Baheti: And your other part of the question, yes, ex-Azithromycin also, entire the non- Azithral portfolio as well as cough and cold portfolio have done exceedingly well in the first quarter.

Moderator: Thank you. The next question is from the line of **(Inaudible) 39.24**. Please go ahead.

Participant: Sir, I have just one question, you sound very cautious on the US business, and we all know that the competition typically leads to price erosion, but apart from that in molecules which have not been incremental competition, has that been also affected by the price erosion or the pricing has remained stable on those and just the one who has incremental competition, there we have seen price erosion?

R. K. Baheti: Generally, there has been competition across product profile. The most intense competition of course is in Sartan where the prices have come down, but we are seeing that in other products also.

Participant: Which are not seeing any incremental competition in this quarter?

R. K. Baheti: There is nothing which I can find and there is no incremental competition.

Participant: Because I think the cautiousness that you have shown seems to be like there is a some structural change even the products which you have not seen competition might also be facing price erosion, so that is why?

Pranav Amin: Yes, I think the competition is across the board, across everywhere in the US.

Participant: That is there, but within the portfolio also there would be some products which would not have seen incremental competition and their pricing has remained stable or there also, because sometimes when the wholesale and consolidation happens without incremental competition also price erosion happens?

Pranav Amin: Yes, some products there was no erosion and some there was.

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

Tushar Manudhane: Sir, with this sartan spike I just want to understand top 3 products would be contributing how much for US sales now?

Pranav Amin: I don't have that breakup with me. It keeps changing every quarter, it is tough to say. Typically, industry is top 20% or something about like 80% of sales as far as the industry figures are but we don't give because it is too dynamic.

Tushar Manudhane: And R&D spend with 160 crores for the quarter, how much you look for FY22, full year?

Pranav Amin: we have not given the guidance. I am assuming it will get close to 650-700 crores kind of level annually.

Moderator: Thank you. The next question is from the line of Vishal Manchanda from Nirmal Bang Institutional Equities. Please go ahead.

Vishal Manchanda: My question pertains to the API business, so wanted to understand whether the current run rate can sustain for rest of the year?

Pranav Amin: As I mentioned in last few quarters, the API business had a phenomenal growth last year and lot of the growth last year was due to the COVID related disruptions, so having said that this quarter, they have done well, I expect them to be close to just 5-7%, up to 10% growth is where we look at for this year for the API business.

Vishal Manchanda: And the second is, in the US, we have also seen volume share loss in case of Famotidine, so is it on account of some manufacturing disruption or is it on account of competition, as I understand there was a significant market share loss in that product?

Pranav Amin: Yes, I think it could be probably just pricing pressure or we may have a backed off, but there is nothing related to manufacturing.

Vishal Manchanda: And can you give a sense on the ANDA approvals that you expect this year, some sense on per ANDA revenue number, is that possible for you to estimate?

Pranav Amin: No, it is very tough to give that because I wouldn't be comfortable with that kind of a guidance because it is too dynamic, who is going to launch, how many people launch, what their comparative intensity will be, it is tough to predict

Vishal Manchanda: If not that may be, what market opportunity do these ANDAs represent in terms of the brand sales or the overall market including generics?

Pranav Amin: I will take this offline. I will just ask my IR team to touch with you. I don't have that figure with me right now.

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

Ranvir Singh: Sir, my question pertains to India business, we see from low base last year in Q1, now we have seen a very good growth here, but I see that the quarterly run rate has come up better than now pre-COVID level, so my question is whether that kind of growth, that kind of run rate it is sustainable going forward or internally what should I take growth especially in acute segment, so what kind of growth you see from here onwards?

Shaunak Amin: Occasionally, we feel we are definitely at pre-COVID levels, we need to be at that. As long as the market doesn't shut down, I mean if we go into one more 6 months lockdown, then I can't tell you what is going to happen to the business, because lockdowns impact the business. Keeping in mind that things don't go haywire and market stay stable, the basic issues with good monsoon and GDP growth and rural income, things like that stay in line ; as long as the market behaves correctly, we are fairly confident of showing strong growth in all our businesses going forward and this growth should be in excess of the represented market growth both for acute as well as specialty as well as vet.

Ranvir Singh: And secondly, on API side, whether we have seen price erosion in Sartan API also?

Pranav Amin: The erosion in Sartan has been across the board, it is not a big API component for us, so it is tough to say,. The more so, the pricing that we on the formulation side in the US, not as much on the API side. API was a supplier availability which cause the formulation prices to go up and also we are not large players in sartan APIs.

Ranvir Singh: And what is your status of oncology injectable facility, have we started filing from this facility?

Pranav Amin: Yes, we have started filing from this facility, we are doing batches and we will be filing and then we will wait for FDA inspection for the injectables.

Ranvir Singh: Sir, just related question that in oncology injectable, just I wanted to understand that if we are awaiting for US FDA inspection or US FDA clearance, so meanwhile are we selling anything to non-US market from these new facilities?

Pranav Amin: No.

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

Nimish Mehta: Just one more understanding on the domestic business, the overall market, if I understand has grown by about 50% in the month of April and May and it came down to almost 14% now in the month of June, so are we as a company also seeing a similar proportionate decline in June or is it still much better than the market?

R. K. Baheti: Nimish, whatever you are quoting from us, we are also covered you can look at our numbers also from there, so if you are comparing analyst's number with our primary numbers or whatever source you are quoting, our numbers are also available now.

Nimish Mehta: Okay, but I don't have that granular, say if you can tell me….

R. K. Baheti: But I think as Shaunak said, we have been outperforming market and the trend continues.

Shaunak Amin: I just add to that. Yes, what you are saying IMS reflection in April, May versus June, definitely there was IMS slowdown which we also saw, but like I said we outperform the market. The slowdown is more to do with lockdowns, peak of lockdowns always close the business down and we are seeing that when lockdowns happen, 3-5 weeks into the lockdown, everything starts to slow down because basic movement slows down or people moving in and out. But going forward, markets have opened up largely now, so we are seeing a more normalization level of movement and the monsoons have been good also this year, that gives a boost to our cough and cold acute business.

Nimish Mehta: The other thing I wanted to know, have we capitalized any expenses with regard to the R&D of Aleor and operational expenses of facilities not commercialized and if you have, how much is that?

Mitanshu Shah: Yes, we have capitalized R&D of Aleor and when we put the products and once we get the approval and we put to use, then we amortize those expenses. You can get the numbers in the March 21 financials; it is around 200 odd crores.

Nimish Mehta: I am talking about this quarter, what would that number be, that plus the operational expenses that we capitalized? How could that number be for this quarter?

Mitanshu Shah: For Alembic Pharma, it is around 70 odd crores which is the preop expenses and Aleor would be a small portion around 10 odd crores.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Shaunak on the US, we will be spending almost 600 crores on R&D for the last 2-3 years now, so when do you see from this higher R&D spends sort of culminating into and may be any relevant meaningful launches versus which can move the needle for us from a revenue contribution perspective?

Jesal Shah: Your question is, the R&D expenditures that we have been incurring, where do we play, meaningful launches from these is what the question?

Nitin Agarwal: The monetization process of R&D expenses, by which timeframe onwards we would see the monetization of that beginning to come?

Jesal Shah: You are asking about amortization of R&D expenditure or monetization?

Nitin Agarwal: In terms of results of the R&D spends that you have done for the last 3-4 years, over what time period if you see the results to be showing up by way of launches on the R&D from the spends?

Jesal Shah: Actually, as you know the approval timeframe for after we file is close to about 2 to 3 years, so as and when these products keep on getting approvals, we will be able to commercialize and as we commercialize, you will see revenues coming in and therefore the resultant gross profit so this is a continuous kind of an effort, so we keep spending money and as and when the approvals come through we will keep on monetizing, so the amount that you have spent in the last, let us say 3-4 years, you will see monetization of it for the next 5 to 7 years in the minimum.

Nitin Agarwal: And have you been just given the way the market dynamic has really changed over the last 2-3 years, have there been a significant number of projects where the dynamics, your own estimates have changed meaningfully versus what is your thought of when you are probably investing in those project or are they are like very instances like that?

Jesal Shah: obviously, dynamics keep on changing and we keep on monitoring the market dynamics almost on a monthly basis, so we look at where the products are, how much investments have been made, how much yet to be made, what is the complexity of the product and how many new peers are emerging, so many factors we keep on looking on a real time basis and wherever we feel that the competition has changed in a dramatic way when we are in early phases of development we take a call and cull those products, so basically we monitor this on a very active basis and maintain that discipline of ensuring that the products which are in the grid are expected to generate the required rate of return.

Nitin Agarwal: Lastly, on that your experience or your assessment, over the last 3-4 years, opportunities like these where you can make probably higher than average revenue for product, has this opportunities become difficult to come back or there are still enough and more opportunities like these around?

Jesal Shah: Traditionally, the generic business as you know and you can also see the number of filings that the industry is making, that data is available in public domain, you can see a number of ANDAs have been filed over the last, may be 7-8 years, so that is very clear situation not just for us, but for the entire industry that you have number of products getting filed.

Shaunak Amin: Nitin, I think it is better we take this call offline because I think we are talking of basic nuts and bolts of our business which I think…..

R. K. Baheti: Jesal will be in touch with you offline.

Moderator: Thank you. This will be the last question which is from the line of Vineet Gala from Monarch Networth. Please go ahead.

Vineet Gala: Sir, on the derma part of the business, that is Aleor JV, we have seen decent number of approval, can you throw some light in terms of the profitability and pricing part, also given the investments we made in this asset, when do we expect it to start contributing meaningfully?

R. K. Baheti: You are right that we have got lot of approvals, but unfortunately, it is not great commercial opportunity at this moment, because of intense competition, we have started supplying, we have launched the products, we are talking to customers for getting better market share, we are also looking at optimizing the capacity utilization, so all those efforts we are doing, but for the size of operations we have it will take a while to really make that venture profitable.

Vineet Gala: Sir, is there any kind of payback period in our mind because significant investments are found in this asset?

R. K. Baheti: So, the payback period we had in our mind when we invested had really got extended, but again when you are in pharma, particularly in generic pharma, you have to be a little patient and wait for the right opportunity because two opportunity in a year or two, you can have the entire calculation back on track, so we are waiting patiently at this moment.

Vineet Gala: Sir, last question from my side, so qualitatively most of the approvals that we have been getting are relatively smaller opportunities and seem to be very well contested like that the recent approvals I am talking about and given the R&D spends, so these are relatively less attractive kind of approvals in OSD, so can you just articulate your thought process?

R. K. Baheti: You are talking of derma or other approvals**?**

Vineet Gala: OSDs.

Jesal Shah: Actually, we have a portfolio of products, so in some of these products, like I said that when we keep on doing a competition and some of these products, competition may have increased by the time we got approvals, but it is going to be a mix of product, so we have had opportunities in the past, and we continue to believe that we will have opportunities in the future.

R. K. Baheti: We have completely run out of time and I would take this opportunity to thank all of you who have been actively associated with us, participated in our calls, asking relevant questions, keeping us on our toes and we look forward to continue interaction with you. Anyone still has some questions can always get back to us offline. Mitanshu, Ajay are always available, me, Pranav also on request.. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Alembic Pharmaceuticals Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.