List of Management Attendees

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

External Participants during Q&A session

1. *Vinay Jain – Karma Capital*
2. *Rahul Veera – Abakkus Asset Mangers*
3. *Raghav Vedanarayanan – JM Financial*
4. *Mitesh Shah – Nirmal Bang*
5. *Sumangal Puglia - Rare Enterprises*

Jubilant Pharmova Limited
Q3 & 9M FY '23 Earnings Conference Call
February 03, 2023

Moderator: Good evening, ladies and gentlemen, and welcome to the Jubilant Pharmova Limited Jubilant Pharmova Limited Q3 and 9M FY'23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vineet Mayer, Investor Relations and Corporate Finance, Jubilant Pharmova Limited. Thank you, and over to you, sir.

Vineet Mayer: Thank you, Inba. Good evening everyone. Thank you for being with us on our Q3 and 9 Month FY'23 Earnings Conference Call. I would like to remind you that some of the statements made on the call today could be forward-looking in nature and a detailed disclaimer in this regard has been included in the Press Release that has been shared on our website.

On the call today, we have Mr. Shyam Bhartia – Chairman; Mr. Hari Bhartia – Co-Chairman and Managing Director; Mr Arvind Chokhany - Group CFO; Mr. Arun Sharma – CFO, Jubilant Pharmova; Mr. Pramod Yadav – CEO, Specialty Pharma and CDMO Sterile Injectables business; Dr. Jaidev Rajpal - CEO - Generics; Mr. Giuliano Perfetti – CEO CRDMO; Mr. Syed Kazmi – CEO, Jubilant Therapeutics.

I now invite Mr. Shyam Bhartia to share his comments.

Shyam Bhartia: Thank you, Vineet. Good evening, everyone. Thank you for joining us on Q3 FY'23 Earnings Conference Call of Jubilant Pharmova Limited. During the quarter, company reported higher revenue year-on-year, led by increase in sales in Radiopharmacies and Allergy business and stable revenues in Radiopharmaceuticals and CRDMO sterile injectables. In CRDMO, Drug Discovery Services business reported stable volume and CDMO API business reported higher revenues during the quarter.

The Company's profitability stood lower in Q3'FY23 vs. YoY and QoQ due to lower Covid related deals in CDMO Sterile Injectables business, industry wide issue of generator supply outage that impacted Radiopharmacies business, lower production in CDMO-API business and lower volumes in Drug Discovery Services business.

In Generics, the Company has undertaken a large scale business transformation focused on turnaround through cost optimisations and driving growth in branded markets in India and select international markets.

In FY24, Company's profitability is expected to improve driven by growth in Radiopharmaceuticals, Allergy Immunotherapy and CDMO Sterile Injectables businesses. Recovery in Generics, API businesses and Radiopharmacies will also contribute to better profitability.

The Company has several growth levers across its various businesses of Radiopharma, Allergy Immunotherapy, CDMO Sterile Injectables, Generics and CRDMO, which shall drive sustainable growth for the company in the medium term.

In our Proprietary Novel Drugs business we have several high potential programs, which are at the preclinical / clinical stage.

With this, I now hand over to Arun to discuss the performance of various businesses and financial performance in detail.

Arun Sharma: A very good evening to all of you.

I will start by sharing performance of our various businesses in the Third quarter of financial year 2023.

In our Specialty Pharma business, Q3'FY22 Revenues were at Rs 760 Crore vs. Rs 635 Crore in Q3'FY22 and Rs 814 Crore in Q2'FY23. EBITDA in this business stood at Rs 117 Crore vs. Rs 116 Crore in Q3'FY22 and Rs 198 Crore in Q2'FY23 with a margin of 15.4% vs. 18.3% in Q3'FY22 and 24.4% in Q2'FY23.

Radiopharma revenues were at Rs 613 Crore vs. Rs 510 Crore in Q3'FY22 and Rs 658 Crore in Q2'FY23. Radiopharmaceuticals business reported stable performance YoY; sequentially revenue variation is due to customer order rescheduling for some products in Q3'FY23. Radiopharmacies business reported higher revenue resulting from rise in volumes of new products launched. Sequentially the business witnessed lower sales due to shortage of radioisotopes for around 3 weeks during the quarter. Turnaround plan in Radiopharmacies business is on track to achieve break-even in Q4'FY24E.

Allergy Immunotherapy revenues were at Rs 147 Crore vs. Rs 124 Crore in Q3'FY22 and Rs 156 Crores in Q2'FY23. Revenue and EBITDA growth were supported by better prices vs Q3 last year

In the CDMO Sterile Injectables business, revenues stood at Rs 272 Crore vs. Rs 265 Crore in Q3'FY22 and Rs 299 Crore in Q2'FY23. EBITDA was at Rs 56 Crore vs. Rs 116 Crore in Q3'FY22 and Rs 71 Crore in Q2'FY23. Reported EBITDA margin was 20.7% in Q3'FY23.

CDMO business' stable performance during the quarter was on account of higher sales of other products during the Q3'FY23 amid nil revenue from COVID deals. Reported EBITDA declined YoY due to substantially higher base of COVID related business in Q3'FY22. Business reported revenues of Rs 89 Crs and Rs 22 Crs from deals related to the Covid products in Q3'FY22 and Q2'FY23, respectively and nil sales in Q3'FY23. QoQ variation in margin in Q2'FY23 and Q3'FY23 is due to plant shutdown, which happens twice in a year due to COVID deals in comparable periods.

Generics revenues were at Rs 223 Crore vs. Rs 171 Crore in Q3'FY22 and Rs 161 Crore in Q2'FY23. Reported EBITDA was at Rs (36) Crore vs. Rs (43) Crore in Q3'FY22 and Rs (82) Crore in Q2'FY23. Q3'FY23 performance improvement was on account of higher production at Roorkee plant and sales in non-US markets. This was partially offset by shutdown at Salisbury plant to upgrade part of the HVAC systems. Business also benefitted from a one-time gain due to a legal award to settle customer dispute. We continue to undertake quality improvement initiatives and are engaging with the US FDA for resolution of the regulatory situation at the Roorkee facility

Company has undertaken a large scale business transformation focused on Strategic re-organization of the generics business, Business wide cost optimization both direct and indirect and Re-prioritising geography-mix to accelerate growth in branded markets such as India and select International markets.

During the previous earnings call, we mentioned that the Company has identified annual savings of Rs 100 Crore in operating costs. The implementation of these cost optimisations is on track and expected to be completed by March 2023. Benefits of these cost optimisation initiatives to reflect in our performance from Q1'FY24. We have further identified additional cost optimisation opportunities of Rs 50 Crore. Implementation of which is expected to be completed in H1FY24.

In the CRDMO business, revenues were at Rs 291 Crore vs. Rs 236 Crore in Q3'FY22 and Rs 320 Crore in Q2’FY23. EBITDA was at Rs 39 Crore vs. Rs 35 Crore in Q3’FY22 and Rs 68 Crore in Q2’FY23 with a margin of 13.4% vs. 14.9% in Q3’FY22 and 21.3% in Q2’FY23.

Drug Discovery Services business witnessed stable YoY revenues amid slowdown in US and selective approach by clients. Demand growth likely to remain moderate in near from target clients for integrated drug discovery services and DMPK. Currently witnessing key clients adopting selective approach in launching new projects. Sequentially revenues were lower as Q2’FY23 had one-off revenues from fee-for-service (FFS) in Drug Discovery services. DMPK in-vitro facility at Greater Noida has received validation, which enables the site to provide comprehensive drug discovery service offerings.

API revenues were at Rs 168 Crore vs. Rs 116 Crore in Q3’FY22. Revenues higher due to increase in utilization and higher volumes as Q3’FY22 witnessed lower production due to plant upgradation. USFDA during its Dec 2022 audit of the Nanjangud facility issued some observations. We are engaging with the US FDA to resolve the regulatory situation at the facility

In our proprietary novel drugs business, we recently received Orphan Drug Designations (ODD) from US FDA for our lead program, JBI-802 - an oral, potent and selective dual inhibitor of two epigenetic targets of the CoREST complex: LSD1 and HDAC6 (for SCLC and AML) and our second program JBI-778 – a brain penetrant PRMT5 inhibitor (for glioblastoma). The orphan drug status allows a seven year market exclusivity specifically to the designated orphan use, the filing fee for the initial NDA is waived and FDA provides other development incentives including clinical protocol design assistance and potentially accelerated review time.

We are excited to give you an update on the emerging clinical data from our first-in-human trial for our dual inhibitor of LSD1 and HDAC6 JBI-802, especially amidst the recent announcement of the acquisition of Imago Biosciences by Merck for $1.3B. As indicated by Merck, the acquisition is based on the activity shown by Imago LSD1 inhibitor Bomedemstat in its phase 2 trial that shows a decrease in the excessive platelet levels in patients with the Myeloproliferative disease essential thrombocythemia (ET)

We have now seen in the context of our first-in-human studies - dose dependent reduction of platelet levels in humans, confirming that we have achieved pharmacologically active LSD1 driven effects, which represent a human proof of principle for our molecule to be a potentially improved alternative to other LSD1 inhibitors developed in Essential Thrombocythemia and related diseases

We believe JBI-802 has the potential to be a better alternative to other LSD1 only inhibitors and we look forward to generating additional human data in 2023 towards maximizing value of this program

We are also exploring strategic partnering opportunities to continue development and unlock value for our Phase I ready PRMT5 and other IND-track pipeline programs

I would now like to highlight the Company's financial performance for the third quarter of financial year 2023.

Q3'FY23 Financials

Revenues were at Rs 1,553 Crore vs. Rs 1,311 Crore in Q3'FY22 and Rs 1,600 Crore in Q2'FY23. Reported EBITDA was at Rs 155 Crore vs. Rs 200 Crore in Q3'FY22 and Rs 232 Crore in Q2'FY23.

Depreciation & Amortization expense during the quarter was at Rs 94 Crore vs. Rs 93 Crore in Q3'FY22.

Finance cost was at Rs 51 Crore vs. Rs 37 Crore in Q3'FY22 and Rs 42 Crore in Q2'FY23. Higher finance cost was on account of increase in global interest rate benchmarks. 1 month SOFR has increased to 4.36% on Dec 31, 2022 from 3.05% on Sep 30, 2022. 1M SOFR stood at 0.3% as on March 31, 2022

Reported PAT was at –ve Rs 16 Crore as compared with Rs 51 Crore in Q3'FY22 and Rs 5 Crore in Q2'FY23.

Net Debt on constant currency was at Rs 2,407 Crore as on December 31, 2022 vs Rs 2,204 Crore as on September 30, 2022

Capital expenditure, excluding R&D capitalization, was at Rs 218 Crore for the quarter and Rs 498 Crore in 9M ending Dec 31, 2022

Average blended interest rate for 9M'FY23 was at 5.06% vs 4.58% in 9M'FY22

Detailed 9M'FY23 Financials can be accessed through our results presentation, which is uploaded on our website.

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

Moderator: We take the first question from the line of Vinay Jain from Karma Capital Advisors.

Vinay Jain: Just had a few questions pertaining to results, starting with the Radiopharmacies business. Again, like this quarter on a similar revenue, the losses have again gone back to Rs. 45 crores level. Can you specify the reason for the same? Because top line seems to be consistent with the last couple of quarters. But despite that, losses have increased again?

Pramod Yadav: Yes, Vinay, this is Pramod here. As Mr. Bhartia mentioned, there was a one-time event in the industry where industry went through the shortage of Technetium

generator. In our pharmacy, most of the dosage what we dispense in the radioactive isotope, which is used is Technetium which is processed out of Moly and Moly comes from the nuclear reactors, there are about 7-8 nuclear reactors throughout the world, which are supplying Moly for medical centers.

Unfortunately, all of them were in the maintenance and one which was running also had a breakdown and the entire industry was depending only on one smaller reactor. Hence there was shortage for 3 weeks and almost everyone got impacted because of that. So, there was no supply of Moly, hence technetium was not available. This happened in the month of November that affected. We had all the costs in the system, but not enough revenue to cover it for those 3 weeks.

Vinay Jain: But revenue as I see sequentially isn't far off. Rs. 410 crores is what we did during the previous quarter and this quarter, it's around Rs. 400 crores. It's not that far off from what we did in the previous quarter.

Pramod Yadav: Yes as I mentioned that fixed costs remain there, but when you lose the revenue like this entire contribution goes and impacts EBITDA, and some of the Technetium which we could manage that we had to purchase at a high price from the smaller reactor which was running.

Vinay Jain: More from a radiopharma issue or it's a radiopharmacy issue?

Pramod Yadav: So this was the issue of the radiopharmacy, but please appreciate it as overall number of doses, which are getting dispensed in the pharmacy have gone down. To that extent ultimately the consumption of the radiopharmaceutical products also goes down.

Vinay Jain: No, my only reason for asking this is, since the time of acquisition, we would have incurred almost Rs. 1,000 crores of EBITDA losses on this Radiopharmacies business. Last couple of quarters, we saw the losses coming down, but again, this quarter, there is this volatility and higher losses. So for one or the other reason the losses keep coming back to those almost Rs. 50 crores quarterly run rate.

So now also, we are talking about being breakeven by FY'24 end, but this is something which we need to have a look at in a realistic manner. Can we continue to sustain the company by incurring such high losses on this business?

Pramod Yadav: So the losses numbers you are indicating were there in the year FY'21, when we also an impact of the COVID. In FY'22, the losses have come down drastically. In FY'23 also the losses in Q1 and Q2 were in the range of Rs. 20 crores, not Rs. 50 crores. In Q3, if this event was not there, then the losses would have been much lower than what we have reported. If we don't see any such disturbance in Q4, you will see that the losses are even much lower.

Vinay Jain: So you mentioned that this event happened in November, has it normalized now in December and January, Feb?

Pramod Yadav: Yes. Effective first week of December, all the supplies are back to normal.

Vinay Jain: So the losses should come down in fourth quarter then, ideally.

Pramod Yadav: Yes. Absolutely. That's what I was saying.

Vinay Jain: And on the Generic business, what was the one-time gain. Can you quantify that, please?

Jaidev Rajpal: Settlement?

Vinay Jain: Yes, on account of settlement, the legal settlement?

Jaidev Rajpal: Yes. this is Jaidev Rajpal. The gain was due to settlement of a long pending customer dispute. However, we generally do not comment on individual customer-related contract due to the confidential nature of the settlement, as you can imagine.

Vinay Jain: I just wanted to know from a core business perspective, how has been the losses. So this Rs. 36 crores loss includes the one-time gain. So excluding that, what

would have been the loss trajectory, something which I wanted to understand from you guys.

Jaidev Rajpal: I understand the question. I there are some one-time events last year, which was industrial sales.

Vinay Jain: No, I'm comparing your business on a sequential basis, there's no point comparing it on a year-on-year basis.

Jaidev Rajpal: Yes, as I mentioned, it is not appropriate to give what was the exact award, the legal award.

Vinay Jain: Okay. In the coming quarter now, hopefully with Salisbury also coming on stream in the fourth quarter, So the fourth quarter should be lower than this or by when are we expecting to be back as far as the operating profit is concerned for the Generics business?

Jaidev Rajpal: So I think the question is what our expectation on improvement in Generics profitability is, I guess.

Vinay Jain: Yes

Jaidev Rajpal: The expectation in Generics profitability is that from this 9 months, which is close to approximately (34%), by FY'24 year end we should significantly improve, and should be close to negative mid-single digits, what we are expecting.

Vinay Jain: So again, we are expecting despite the cost optimization activities, which we have talked about. Despite that, we would be incurring losses in the Generics business next year as well.

Jaidev Rajpal: Yes, but at a much lower. As you can see, this year has been the significant losses, but those are going to be much lower next year.

Vinay Jain: On the regulatory part where are we? We were supposed to get an update from US FDA on the Roorkee plant in November. What is the update on that? Also, if you could comment the same for our Nanjangud plant.

Jaidev Rajpal: Yes, so let me give you an update on the regulatory status of the Roorkee plant. As you recall that we had an audit last year in July 2021, which resulted in an import alert with a few products exemption. We had a follow-on audit in July 2022 for which we received the same status, which was the OAI before and continued OAI in October. We have disclosed through our press release. At this moment, we have one product exemption that we continue to supply to US.

Beyond that, as I said, we have completed all the CAPAs that we had committed to US FDA. Beyond US, we continue to supply to all other markets, which includes Japan, Europe, Germany that is Nordic countries, South Africa and a host of other African countries as well. So other than US FDA, at this moment, we are continuing to supply to all other markets. In US, we continue to supply the product, one product is under exemption.

Vinay Jain: No, I get that, but I just wanted to understand the import alert, that remains as it is. So, there is no change on that.

Jaidev Rajpal: No, as you mentioned, in October, we received continuation of the similar status, which was OAI with import alert.

Vinay Jain: Okay. Lastly, if you see, API business again plant upgradation happened in the first quarter, and we were expecting revenues to see a bump up in the second half. But if I see for the last 3 quarters, there hasn't been much improvement on the API business as such. The numbers have been hovering at around Rs. 160 crores to Rs. 170 crores. And because of that, margins also have taken a hit. What is the outlook on the API business per se because clearly, things are not turning out the way we had earlier envisaged over here.

Giuliano Perfetti: Giuliano Perfetti, speaking. So let me divide your question into 2 questions. One is on the FDA inspection in Nanjangud. And second is about the third quarter

revenue versus Q2. So on the first part, as we mentioned in the past, the site is currently in OAI status. We are selling to all the countries. And you asked FDA completed its audit in Nanjangud facility in December 2022, issuing 8 observations.

So Jubilant provided a timely reply to these observation within 15 days precisely on January 1, 2023. FDA has acknowledged the receipt of Jubilant's response that described the actions being taken to address the inspection and supervision.

The company will be updating FDA regularly on its progress. However, today we have not received any further communication from FDA regarding the inspection or our responses. So this, of course, pending the qualification, we can just say that we will keep the market updated on the outcome of this. For the moment, nothing is changing from the previous status.

Coming on the second question, you are right. We were mentioning that quarter previous year, we were expecting to regrow in revenue. By the way, we grew in revenue versus previous year significantly, which was more than 45%. Sequentially, we were aligned to the previous quarter. There are two reasons for that, which have been briefly called out before by my colleague, Arun.

The first reason was plant is going through a complete plant upgradation and at the Nanjangud facility we have 6 plants, 4 of them have been upgraded. The last upgradation, which was supposed to be completed in Q2 was prolonged even in Q3, and this created some lower volumes. In addition, there was also some lower volume in specific products, which we are selling in the US.

Vinay Jain: But our understanding was that the plant upgradation was done and completed in the first quarter itself. So there is some lack of communication also which is happening from the management side because if you see your presentation in the first quarter, you have mentioned that the plant upgradation is completed and you should see a revenue bump up happening in the second half of the fiscal year.

And also it's pointless to compare it on a year-on-year basis because last year, in which there was maintenance shutdown, which was there and which impacted our revenues. So just one last thing, again, like the company, the way things have been going, again, we seem to have bounced back sharply from the COVID.

But for one or the other reasons, the numbers have been disappointing. And maybe we might have to take some hard calls if necessary when it comes to the Radiopharmacy business as well. If things are not planning the way we had at some point in time, we might have to a relook on that decision. Yes, that's all from my side.

Moderator: Our next question is from the line of Rahul Veera from Abakkus Asset Managers.

Rahul Veera: Just wanted to understand on Drug Discovery side, usually whenever our molecules have been moving the R&D expenditure usually would move very sharply up. Are we expecting any kind of sharp up move in our R&D expenditure going forward?

Giuliano Perfetti: Can you repeat the question? What do you mean for upside in R&D expenses?

Rahul Veera: Our new chemical entity, right, on that business segment.

Vineet Mayer: I think this is for Proprietary Novel Drugs.

Syed Kazmi: Yes. This is Syed Kazmi. Our spend really depends on how programs move forward based on the emerging data and the collaboration opportunities. The spend really depends on the emerging clinical data. So once we have collected some human data in the ongoing study, then we will be able to determine how fast we have to expand those studies. Then we can manage and report our expenses accordingly.

Rahul Veera: Sir, and one more question from my end. In terms of the commentary that you've provided specifically for our high-margin business, that is the Drug Discovery Services. You mentioned that the growth may moderate. Any particular view on that, sir?

Arvind Chokhany: This is for Giuliano, this question is on the Contract Research business.

Rahul Veera: Yes, Drug Discovery Services. Usually we do 30%, 33% EBITDA, but this time, it has come at 29% margins plus we mentioned that the business may moderate. I wanted to understand some insights on that.

Giuliano Perfetti: Yes. I think what is happening on the market is that overall, the market has remained healthy in terms of demand. Despite the fact that in this quarter, there are signs that we called out also in the previous call of a more selective approach of our customers to run programs in Drug Discovery. This is resulting in slight lower growth than in the past, which in this case, is almost keeping the same level of volume. We think that this probably will stay also for the short term, for the next quarter. But there are views that the market will restart growing at the same level that we had previously.

In terms of profitability, this market from the way we discussed in the past, business is expected to generate an EBITDA of around 30%. If you compare to same quarter last year, EBITDA was a little bit on the peak for this incidence of FFS business, which was affected positively the previous year quarter.

In terms of the way we see the future, what we are doing now is we are continuing our program of expanding our capability and I'd like to mention we commissioned within the quarter the DMPK capability within the greater Noida site. We have now completed the first phase of this Chemistry and DMPK Excellence Center. We are still developing our talent pools of scientists in order to be ready to catch the growth once the market will return to the level that we do expect. Based on the fundamentals of this market, there are no other reasons for not going back at that level.

Rahul Veera: Sure. Sir, do you have any contracts or any queries for this facility now? Like do you already have clients on board for the new facility?

Giuliano Perfetti: No, the new facility is fully operating, what we commissioned in September 2021, and we run at a high level of capacity utilization. We call out that we will further

expand the facility in order to be ready to catch additional demand that we do expect starting from end of FY '24.

Moderator: Our next question is from the line of Raghav Vedanarayanan from JM Financial.

Raghav Veda. So I have two questions. The first is, where do we see the long-term margins at and what will be driving these margins? The second question is with respect to the CRDMO business, how do we see this growing in the future?

Arvind Chokhany: Yes. This is Arvind here. So with regard to the sustainable margins, we have very strong pillars of growth in Radiopharma, Allergy, CDMO, Generics and in Drug Discovery Services. They are the pillars that will drive sustainable growth in the medium term. But in the short run, we have to overcome some challenges, which both Jaidev as well as Giuliano have articulated.

So the 3 challenges we have to overcome is break even in the generics, which we are targeting for next year, improving the API performance through remediations as well as breaking even in the pharmacies. So the management team is working on a very strong KPI for all of these 3 things, and we can assure you that all these businesses are being closely monitored through various project programs that we have. I hope that answers your question, Raghav.

Raghav Veda. The second question is regarding the CRDMO business, how do we see this growing?

Giuliano Perfetti: Yes. I think we need to distinguish, for Drug Discovery business we see double-digit growth starting from end of this year, and we see that the outlook in midterm is quite robust in terms of demand for new projects and the way the company is positioned, particularly in United States where we have a large presence in terms of customers biopharmaceutical and meet large customers. So we think that growth definitely would be on that level.

On API, I can't provide at this stage, any guidance for the next year because of the pending outcome from the inspection. What I can tell is that we have a strong

plan, which is focusing the cost containment within API to reduce structurally the cost. We do have in place a quality transformation program happening at the site. The third pillar is we are focusing of our portfolio of products in order to target the progress which are more profitable, a little more potential for growth. So I don't know if I finished my third pillar on the portfolio rationalization, and with this pillar which is both the basis point further growth of API and thus the entire CRDMO.

Moderator: We will take our next question from the line of Mitesh Shah from Nirmal Bang Securities.

Mitesh Shah: I have a couple of questions regarding these margins. Has the supply constraint impacted the margin of your Radiopharma business as well?

Pramod Yadav: So Mitesh, the technetium generator issue was related to the Radiopharmacies, which is the part of the Radiopharma business in the totality of margins what impact.

Mitesh Shah: Yes, strategically because it came down from 22% to 10% this quarter. I mean, the radiopharma business is scaled down to 65% to 51%.

Pramod Yadav: There in the Q2, we had the higher sales of our higher-margin product and if you recall in the Q2, we had indicated that this is a one-time bump where the customer had bought extra quantities. We indicated in Q3 communication, it will be getting corrected. So that correction took place because the sales of that high-margin product was, as per the expectation in Q3, not as per that higher base of the Q2. That had an impact. Then we have impact in the Radiopharmacies because of the shortage of the generators.

Mitesh Shah: Got it. On the Generics front, what is the bifurcation between the US and the other markets in Generics business.

Jaidev Rajpal: Our business are in key geographies of North America, RoW and India. If you look at from the presentation that has been uploaded on our website, on a 9M basis,

this is approximately Rs. 383 crores out of Rs. 563 crores sales North America, Rs. 150 crores is RoW and Rs. 29 crores is India. That should give you a rough estimate of the bifurcation of the geography-wise.

Mitesh Shah: And in a sequential jump in the Generics business, can we assume mainly both on the margin and the revenue trend was mainly because of this one-time case? Should I exclude them, we also have an improvement in the margins and the growth as well.

Jaidev Rajpal: So one-time settlement did contribute significantly to the margin gains in the Q3 FY'23. Therefore, it is likely that in the next quarter, this may or may not be sustained. Having said that, the revenue growth in Generics was not limited only to one-time gain. As we've mentioned, this is also due to resumption of production at our Roorkee facility, as you would recall, was undergoing implementation of CAPA as an outcome of US FDA.

In 2 months of this quarter, we resumed full production at Roorkee facility, which continued to supply markets such as Japan, Germany, Nordic countries, U.K., South Africa and 1 product to US.

Moderator: Our next question is from the line of Sumangal Puglia from Rare Enterprises.

Sumangal Puglia: My first question is on the Radiopharmacy. Since our EBITDA margin losses have widened quarter-on-quarter. So how confident are you on of your breakeven guidance for Q4 next year?

Pramod Yadav: This question, Vinay, had also raised earlier, and I couldn't comment on that when he made the last statement that the management needs to take a hard look. As we have been saying from last few quarters, we are extremely confident that our turnaround plan on which we are working into our pharmacy business is absolutely on track. If no such untoward event happens, which happened in the month of November, by end of FY'24, we are very hopeful that we should be breaking even in this business.

We are growing revenue with organic growth from existing products. We are growing revenue by taking new products in our basket. We are increasing our market share. We are bringing the operational efficiencies and that we see quarter-on-quarter the impact of that on to the bottom line. We remain hopeful.

Sumangal Puglia: Okay. On the generic side, I just wanted to get a flavor of the cost that we identified Rs. 100 crores this year and then another Rs. 50 crores by first half next year, these are significant amounts. So are these excesses in the system or can you just give a kind of insight on the nature of these costs?

Arvind Chokhany: We got the first part about the Rs. 150 crores, the second part, we could not understand your question. What about that you want to know.

Sumangal Puglia: No, I just want to understand the nature of these costs that we are cutting down.

Jaidev Rajpal: You're saying what is the source of the cost savings? Where are these cost savings coming from?

Sumangal Puglia: Yes, correct.

Jaidev Rajpal: So let me answer your question in 2 parts. The first question is, as we mentioned in our last investor call, we had identified Rs. 100 crores of savings implementation program is on track and is expected to complete by March '23. Therefore, we should see these cost savings in our next year's performance. As you've also mentioned, we identified a further Rs. 50 crores cost savings, this implementation program will begin next year, which is first Q1, which is June quarter of FY '24 and is expected to finish by September '23, which is second quarter FY'24. It is broad-based. It's coming from 3 major sources. Source #1 is we have had direct cost production that we have, by managing our number of people on our role. So direct cost savings. Second is that we have material cost saving. We are identifying wherever feasible, alternate vendors for our material. So that's the second source.

And the third source is that we have modified our operating model in product development that we are increasing the usage of external R&D only from internal R&D. So this is a 3-way savings that is helping us. It includes both, direct cost savings, the fuel savings and three, change in the operating model.

Sumangal Puglia: And my final question is on the Novel Drugs, how close are we to this capital raise or a commercial licensing or agreement? What is the stage? How should we look at that business?

Syed Kazmi: So this is Syed. To answer your first question on the capital raise, as you well know, the biotech market in the US is still in the process of recovery. In the current environment, investors are looking for more mature data, if you will, especially from clinic. We have started our clinical program. We are in the process of collecting clinical data. At the same time, we are also having discussions over the investors in terms to what extent the landscape has evolved with regard to requirement of clinical proof of concept data before they come on board with the funding.

We hope that by end of this year, we will have enough critical mass of clinical data to enable external funding at a favourable term. That's what we are shooting for. But in the meantime, we will continue to have those discussions and assess the market interest because of the recent transactions that have happened, especially the one that we mentioned in prepared remarks about Merck acquiring a company called Imago for $1.35 billion. In this space we are working on, I think that transaction has created a lot of interest for our programs.

Our program is behind the Imago program because that's what has been going on for 7-8 years, but we are certainly optimistic that with the market improving on one hand and the Imago transaction on the other, we are getting a traction now with regard to some of these meaningful discussions. We have already collected some human data, but are looking to generate more robust clinical data later this year and hopefully get back to fundraising at an appropriate valuation.

With regard to partnering, I think with large pharma and biotechs, we will continue to pursue discussions similar to what we have done with our 2 prior partnership programs, including a licensing that was done to Lengo Therapeutics. We have mentioned about the blueprint acquisition of Lengo for which we did receive some portion of the upfront that we have ploughed back into the business. We are looking to partner the assets at the right inflection point and not just we're partnering, which will be typically after IND filing or early clinical proof of concept essentially to maximize our deal value.

Sumangal Puglia: Sure. Are you guys willing to share any sort of estimate on what it can be the potential monetization in a broad range or so?

Syed Kazmi: I mean, it all depends, It's all contingent upon the program, the data, the strategic fit. There is a big range. It's very hard for me to give you a meaningful response as it all depends on the program and the data that's emerging, as I said before for a very early stage program like Lengo, we have received about $6 million in FY'22, which, has been ploughed back in the business.

And then as part of our confidential licensing agreement and M&A deal plans over the next 5-6 years we'll be entitled to additional milestones as well as royalties. So again, every deal is different and it all depends on the data package that we are able to generate. We are feeling pretty confident about the differentiation of our programs as they are moving through various preclinical and in one case, clinical stages.

So we are very excited about building some of these new novel medicines to meet the unmet medical need, and we certainly hope that there will be traction on the partnering front once we have a critical mass of data available.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for closing comments. Over to you, sir.

Arvind Chokhany: Thank you. Thank you for joining the third quarter earnings call for Jubilant Pharmova and look forward to see you all in the next quarter. Till then, please send in your queries to the Investor Relations team. Thank you very much, and good evening to all of you.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of Jubilant Pharmova Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: There could be unpublished price sensitive information that would have been shared /discussed during the call and we have shared Audio Transcript to the Stock Exchanges on February 03, 2023 for information of public at large