

“Alembic Pharmaceuticals Limited - Transcript of 11th Annual General Meeting”

27th July, 2021

Following Directors, Key Managerial Personnel & Auditors of the Company attended the meeting through VC / OAVM:

1. Mr. Chirayu Amin : Chairman & CEO & Member
2. Mr. Paresh Saraiya : Director, Chairman of Audit Committee & of Stakeholders Relationship Committee
3. Mr. K. G. Ramanathan : Director, Chairman of Nomination and Remuneration Committee
4. Mr. Pranav Parikh : Director
5. Dr. Archana Hingorani : Director
6. Mr. Pranav Amin : Managing Director & Member
7. Mr. Shaunak Amin : Managing Director & Member
8. Mr. R. K. Baheti : Director - Finance & CFO
9. Mr. Charandeep Singh Saluja : Company Secretary
10. Mr. Milin Mehta & Vishal Doshi : Partner of M/s. K. C. Mehta & Co., Statutory Auditors
11. Mr. S. Samdani : Partner of M/s. Samdani Shah & Kabra, Secretarial Auditors and Scrutinizer for this meeting

Transcript:

Company Secretary:

Good Afternoon Dear Members.

I, Charandeep Singh Saluja, Company Secretary of your Company welcome you all at the 11th Annual General Meeting (“AGM”) of the Company. This meeting is held through Video Conferencing or Other Audio Visual Means without the physical presence of the members at a common venue in accordance with the General Circular No. 20/2020 dated 5th May, 2020 read with General Circular No. 14/2020 dated 8th April, 2020, General Circular No. 17/2020 dated 13th April, 2020 and General Circular No. 02/2021 dated 13th January, 2021 issued by Ministry of Corporate Affairs.

The requisite quorum being present, the meeting is declared in order and open for business. In accordance with the referred circulars, Members attending the AGM through VC / OAVM shall be considered for the purposes of quorum under Section 103 of the Act.

Now, I request Mr. Chirayu Amin, Chairman & CEO of the Company to take over the proceedings.

Chairman:

I am Chirayu Amin, Chairman & CEO of the Company. I am Chairman of Corporate Social Responsibility Committee and member of Nomination & Remuneration Committee of the Company. I am attending the meeting from London.

I hope all of you are safe and are in good health.

I now request all other directors to introduce themselves.

- Mr. Ramanathan

** Please unmute yourself

We can't hear you sir,

- Mr. Pranav Parikh

Good Afternoon Members, I hope you're all well I am Pranav Parikh, Independent Director and member of Audit Committee and Nomination & Remuneration Committee of the Company. I am attending the meeting from my home in Mumbai. Thank you.

I am Ramanathan, Independent Director. I am attending the meeting from Mumbai.

I am Chairman of the Nomination & Remuneration Committee and member of the Audit Committee of the Company. I am attending the meeting from Mumbai.

- Mr. Paresh Saraiya

Good Afternoon Members, I am Paresh Saraiya, Independent Director and Chairman of the Audit Committee, Stakeholders' Relationship Committee and Risk Management Committee and member of the Nomination & Remuneration Committee of the Company. I am attending the meeting from Vadodara.

- Dr. Archana Hingorani

Good Afternoon Members, I am Archana Hingorani, Independent Director and Member of the Audit Committee of the Company. I am attending the meeting from Mumbai.

- Mr. Pranav Amin

Good Afternoon Members, I am Pranav Amin, Managing Director and member of the Stakeholders' Relationship Committee and Risk Management Committee of the Company. I am attending the meeting from Vadodara.

- Mr. Shaunak Amin

Hello Members, I am Shaunak Amin, Managing Director of the Company. I am attending the meeting from my zoom in London.

- R. K. Baheti

Good Afternoon Members, I am R. K. Baheti, Director - Finance & CFO and member of the Stakeholders' Relationship Committee and Risk Management Committee of the Company. I am attending the meeting from my office at Vadodara.

Mr. Milin Mehta and Mr. Vishal Doshi, Partners of M/s. K. C. Mehta & Co., Statutory Auditors and Mr. S. Samdani, Partner of M/s. Samdani Shah & Kabra, Secretarial Auditors and Scrutinizer for this meeting have also joined through Video Conferencing.

I now request Mr. Charandeep Singh, Company Secretary to explain the statutory details pertaining to this meeting.

Company Secretary:

Thank you sir,

The facility for joining this meeting is being available for members on first come first served basis.

Once the questions answers session starts, I will announce the name of the shareholder who has registered herself as a speaker shareholder. The speaker shareholder will thereafter be unmuted by the moderator. The Shareholder is requested to click the video-on button. If the shareholder is not able to join through video for any reason, the shareholder can speak through audio mode. While speaking, we request shareholders to use earphones so that their voice is clearly audible.

Members who are interested in raising the questions / queries through chat box option may kindly do the same.

During the meeting, if the member faces any issue, he/she may contact helpline no. mentioned in the Notice of AGM.

The statutory registers as required under the provisions of the Companies Act, 2013 are open for inspection electronically. Members who want to inspect the registers can send their request at apl.investors@alembic.co.in

As the AGM is held through VC / OAVM, the facility for appointment of proxies by the members is not applicable and hence the proxy register is not available for inspection.

Since the notice of AGM was already circulated, with the permission of the Chairman, I propose to take the same as read.

In compliance with requirements of the Companies Act, read with rules framed thereunder, SEBI Regulations, 2015 and in terms of SEBI Circular No. dated 9th December, 2020 in relation to e-voting facility provided by listed companies, the Company has provided e-voting facility to its shareholders.

The E-voting platform provided by NSDL was open for voting from 9.00 a.m. IST on 24th July, 2021 upto 5.00 p.m. IST on 26th July, 2021.

Members who have not casted their vote through remote e-voting can cast their vote during the course of the meeting.

M/s. Samdani Shah and Kabra, Practising Company Secretaries has been appointed as scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

Now, I request Chairman Sir to take over the proceedings.

Chairman:

Dear Members,

We hope that you and your family members have been safe and healthy through this singular and unprecedented challenge that humanity is faced with today. Although the demand for pharmaceuticals is the least disrupted relative to other industries, the operational challenges remain enormous. The last financial year was indeed the demonstration of our resilient business model. As we overcame the challenges, we continued to achieve growth across all our geographies and segments.

It gives me immense pleasure to share with you our performance for 2020-21.

In 2020-21, our overall revenue grew by 17% to Rs. 5,393 Crores. We saw growth across all our business divisions and in particular the International Formulations business ex USA and API business demonstrated solid double-digit growth. This performance was possible due to our commitment to delivering

quality products, maintaining the highest levels of compliance, promoting manufacturing excellence and improving our supply chain.

We continued to enhance our manufacturing capabilities during the year and spent about 12.4% of our revenue towards R&D activities to take complex generics to the maximum number of people worldwide.

During the year, we filed 29 ANDAs in the US to achieve cumulative filings of 212 ANDAs and launched 16 new products in the US. We continued to gain share and trust of our customers through our distinct products and best-in-class services.

We continued to create value for our shareholders through capital appreciation as we say paying dividends consistently. We proposed a final dividend of Rs. 14/- i.e. 700% per equity share on a face value of Rs. 2/- per equity share for the financial year 2020-21. In previous year i.e. 2019-20, we paid an interim dividend of Rs. 7/- per equity share and an additional special dividend of Rs. 3/- per share aggregating to total dividend of Rs. 10/- i.e. 500% per equity share.

For further details, please refer the Annual Report.

Yesterday, the Board of Directors approved the financial results for Q1 FY 2021-22 and followed it up with the quarterly investor conference call. The financial results are available on the website of the Company and the stock exchanges.

Financial Highlights for Q1FY22

- Net Sales down 1% to Rs 1326 crores
- Profit before tax down to 46% to Rs 199 crores
- Net Profit down 45% to Rs 165 crores

International Business

- US Generics grew 38% to Rs 369 crores in the quarter.
- Ex-US International Formulations grew 13% to Rs 197 crores in the quarter.
- 7 ANDA approvals received during the quarter, Cumulative ANDA approvals at 146 including 18 tentative.
- 3 ANDA filings during the quarter; Cumulative ANDA filings at 212.

Increased competition in our sartan range of products at generally many other products has put pressure on our margins this is generally true to the entire generic pharma industry.

Indian branded Business

- Indian branded business for the quarter de-grew by 57% to Rs 481 crores.
- The acute segment as well as the speciality segment grew faster than the represented pharmaceuticals markets.

We had an outstanding quarter 1 for our indian branded business. Initiative taken in the past have started paying dividend and we expect industry / better than industry growth in current financial year.

API Business

API business grew at 6% to 279 crores in a Quarter. 1 DMA cost file in the Quarter Cumulative DMA filing at 180.

I would like to extend my sincere gratitude to each and every member of Team Alembic for their efforts of ensuring business continuity by optimising overall productivity and efficiency without compromising on safety protocols, despite multiple disruptions resulting from pandemic.

I would like to thank our business partners, shareholders, Board members and other stakeholders for placing their trust and confidence in us. We will together emerge stronger from this global crisis.

Now, we open the floor for question answers and invite the members who have registered themselves as registered speakers; I will handover the process to Mr. Charandeep.

Company Secretary:

** Thank you sir,

Before we proceed, I would like to remind members to follow the instructions given earlier for participation.

Please note that the Management will respond to your questions / queries after taking questions from all the shareholders. Including the questions received in the chat box.

Mr. Kirti shah have registered themselves as a speaker shareholder.

Now I request moderator to allow them one by one in the same sequence.

Mr. Shah, please mention your full name, Folio No. / DP ID - Client ID and the location from where you are participating and kindly proceed with the question.

Hello Sir,

My name is kirti shah I am calling from Mumbai. My DP ID is IN30373510001518.
My video is not working.

May be due to connectivity issue***

Chairman sir, December Quarter me jo profit tha *** HINDI ****

Wish you all the best, Thank you very much

Yeah, okay. Yeah. so we have received a message from one of the shareholder, and we are unable to understand the same, and the message is from Mr. Yusuf Yunus Rangwala , but the way it is written, we are unable to understand. Apologies for the same. And there are no further queries in a chat box. So, I request directors to respond to Mr kirti shah, queries.

Mr. R. K. Baheti:

Thanks Charan there were lot of queries but from memory at least I'll try to respond to as many as possible. So, we have been saying after every investor call that we had an exceptional period of last two years, when we had put certain business, primarily because of shortage of sartans. because of impurities given by the other supplier. We thought that opportunity will last for a shorter period, fortunately for us for the company it lasted for much longer than we anticipated. But that party was to come to an end and the party is finally coming to an end.

So, the reason for a little slow down in q4 of last year, as well as q1 on this year, was largely this. There is also price erosion in other products because of more competition in the US market. I don't know whether Mr. Shah has looked at the declared result today. They were also down 10% results below expectation. That's not the alibi I'm giving for any this but this is the US market. Anybody who's investing in pharma, particularly generic pharma needs to understand this.

So that is all all on performance. We don't really manage share price, we do not know why our PE is lower than the other PEs, one is of course the uncertainty of pharma sector, but beyond that we would not like to comment on the market participants role in the share price.

The same is applicable to the lower book value, share price to book value, but one large reason also is that the honorable shareholder would know that we have made investments of almost 2000 crores very very recently in last two years, and that investment is still in CWIP mode. That has not gone, commercial, we are awaiting FDA inspections and once that come, then only the plants will start. So the reason for lower, I mean, the denominator is high, and that has not started generating revenues. So that's why, probably that looks, that looks lower. We

don't look or comment on those moneycontrol's analysis, that is for the shareholders and investors to really look at and do that analysis.

I think Charan mostly I have responded to all queries, all important queries atleast. And if I have missed out something, let me know otherwise you can proceed.

So, there was also a question from Patent products and its valuation.

So I we have large number of patents but that doesn't mean much. What is important is the number of ANDA filings and the number of DMF filings in the US market, which information is in great detail captured in the annual report.

I think patent also is captured in annual report I don't remember the numbers, but the number is given there.

You may observe in domestic market. That seems to be improving for us.

Yeah, thank you. I was responding to his queries, he didn't have a query on the domestic. So, Mr. Shah would have also observed that we have done exceedingly well in q1. The journey started actually from q4 of last year, and in q1 pretty well. Much better than the market, both in as chairman sir said in his earlier speech, both in the acute and specialty segments.

We have outpaced the market, particularly satisfactory is our growth in specialty segment, which has been actually adversely impacted by Covid because of low footfalls in doctor clinic and even know presence of doctors in their clinics. Acute, of course, a part of growth is driven by our flagship product azithral, which is which is a strong antibiotic doctors use for covid also.

So, going forward. I think we expect our better than market performance to continue in the domestic business.

Is there any other queries.

No, no Sir.

*** HINDI ***

We can't start supplying to the US market. So we are awaiting for FDA inspection. One plant has been inspected. There were some observations, to which we have responded. We are waiting for their final approval. The other two plants are awaiting inspection, because of this covid FDA is not traveling to manufacturers plants, outside of US, and that's how I mean none of the, none of the Indian plants have been visited by FDA in recent times, and that is the situation so I can't say exactly when we will start commercial production.

Okay.

But I don't, I don't think honestly we can get into this question answer I think we'll have to proceed. So Sorry, Mr. Kirti shah you are welcome to contact our secretary or person or IR resolution person, and then we're very happy to talk to him, those details are given in our annual report.

Okay.

Chairman:

In case any other member has any query. They may send a same at our register email id. Our team will endeavour to respond to you at the earliest.

I would like to thank all the directors and members for joining these meetings through VC before closing the meeting of, once again, which all few good health, and be safe.

I request Charandeep to take over.

Company Secretary:

Thank you, sir. Members, but please note that voting on an NSDL platform will continue to be available for next 15 minutes to enable the members who have their vote yet. And who would like to cast their vote. The result of the voting will be announced on or before 29th July 2021, and same would be available on the notice board of the company at is registered office company's web site www.alembicpharmaceuticals.com. NSDL' website www.evoting.nsdl.com and Stock exchanges' website www.nseindia.com and www.bseindia.com.

80 no. of shareholders have attended this meeting.

With this, the meeting is concluded. Thank you.

Please find hereunder web-link to access the recording of the proceedings of 11th Annual General Meeting of the Company:

<https://www.alembicpharmaceuticals.com/videos/video.html>