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February 14, 2023

To
Listing / Compliance Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 001

To
Listing / Compliance Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex
Bandra (E), Mumbai – 400 051

BSE CODE: 543329

NSE SYMBOL: WINDLAS

Dear Sir/ Madam,

Subject: Q3 FY23 Earnings Conference Call Transcript

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith Q3 FY23 Earnings Conference Call Transcript.

You are requested to take the same on record.

Thanking you,

Yours faithfully,

For Windlas Biotech Limited

ANANTA NARAYAN PANDA

Digitally signed by ANANTA NARAYAN PANDA
Date: 2023.02.14 14:28:58 +05'30'

Ananta Narayan Panda
Company Secretary & Compliance Officer

Encl: as above

"Windlas Biotech Limited
Q3 FY'23 Earnings Conference Call"
February 09, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 09th February 2023 will prevail.

MANAGEMENT: MR. HITESH WINDLASS – MANAGING DIRECTOR - WINDLAS BIOTECH LIMITED

Ms. Komal Gupta – Chief Executive Officer and Chief Financial Officer – Windlas Biotech Limited

Moderator: Ladies and gentlemen, good day, and welcome to the Windlas Biotech Limited Q3 FY '23 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 star then zero on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Hitesh Windlass, Managing Director at Windlas Biotech Limited. Thank you, and over to you, sir.

Hitesh Windlass: Thank you. Good morning, everyone, and thank you for joining us today for our financial results for quarter and nine months ended December 31, 2022. We have uploaded the press release and investor presentation, on our website as well as, on the exchanges. And I hope everyone has gotten an opportunity to go through it.

I would like to discuss key company highlights for nine months and Q3 FY '23, followed by financial highlight of the company, which will be shared by our now CEO and CFO, Ms. Komal Gupta. The nine-month revenue for FY '23 was INR 372.4 crores, up 8% from the same period in FY '22. Revenue in Q3 of FY '23 expanded by 2% year-on-year. Growth in EBITDA margins was seen over the past nine months and quarter and stood at 11.8% and 11.7%, respectively, indicating efficient cost management and resilience against input price volatility.

For the quarter as a whole, growth was strong across the verticals with exports and trade generic each recording growth of 124% and 42% Y-o-Y. De-growth in CDMO sector, however, meant that overall growth was relatively stagnant. The second half of the calendar year of 2022, saw a surge in Indian pharma market growth after a sluggish beginning. However, anti-infectives, especially antibiotics, where our company doesn't have a presence, drove this portion of the expansion in the overall market.

Consistent efforts in CDMO sector for us, such as new patent expiry launches, wallet share gains from existing customers, acquisition of new clients and introduction of distinctive products supported by superior R&D, are all initiatives and focus areas that we are working on to reenergize growth in this vertical. The government's emphasis on quality also bodes well for future of the larger and organized players like Windlas Biotech in CDMO. Our injectables facility is scheduled to be finished by end of September 2023.

Windlas' domestic trade generics business is showing strong and consistent growth, aided by the company's rapidly growing network of distributors. There is still a very large room for expansion and development in the trade generics market. The domestic trade generic sector in India is poised to enter a period of expansion, driven primarily by external tailwinds such as increasing consumer demand for high-quality generic and government initiatives to increase generic adoption and reliance.

Internal growth factors also include branding, channel expansion, product introduction and regional expansion for us. Strong expansion for exports vertical this quarter, can be attributed to the company's initiatives such as filing of numerous dossier and entry into newer, more regulated markets. Board of Directors has authorized a share buyback program to the amount of up to INR 25 crores as a way to reward the company's shareholders. In total, 3,87,238 shares were re-purchased by the company for INR 9.88 crores as on 25th January 2023.

I am happy to announce Ms. Komal Gupta's appointment as Chief Executive Officer of Windlas Biotech. Her expertise and years of experience in the field will be invaluable to the company as it enters its next phase of expansion. In the near future, the company will announce the appointment of a new Chief Financial Officer; and Ms. Komal Gupta will continue to serve as the interim CFO until the suitable candidate is appointed.

Windlas Biotech is committed to a disciplined and prudent capital allocation policy, and we will only invest where we expect to generate the greatest return for our shareholders, while also expanding our business and building a strategic reserve for future inorganic growth opportunities. I will now request Mr. Komal Gupta, our CFO; and now also our CEO, to discuss the financial performance highlights. Over to you, Komal.

Komal Gupta: Thank you, Hitesh. Good morning, everyone. At the outset, I would like to say that I'm grateful to Windlas Biotech for giving me this opportunity. My focus would remain on creating value for our shareholders. I, along with Mr. Hitesh Windlass and Mr. Manoj Windlass will share joint responsibility and will work together in close coordination for the achievement of greater heights of success.

Coming to the financial highlights for nine months FY '23, consolidated revenue, EBITDA and PAT grew by 8%, 13% and 34% to INR 372.4 crores, INR 43.8 crores and INR 31.2 crores, respectively. For Q3 FY '23, the same grew by 2%, 7% and 11% to INR 119.7 crores, INR 13.9 crores and INR 9.2 crores, respectively. Gross margins for the quarter were 219 bps higher Y-o-Y and comparable EBITDA margins were 56 bps higher at the quarter end. The EBITDA margin increased to 11.7% from 11.1% Y-o-Y in Q3 FY '23.

I'll now take you to vertical-wise highlights, CDMO, nine months and Q3 FY '23 revenue for CDMO vertical stood at INR 287.9 crores and INR 85.9 crores, up 2% and down 10% Y-o-Y, respectively. CDMO vertical contributed approximately 77% and 72% for nine months and Q3 FY '23, respectively, to the consolidated revenue. Trade generics, nine months and Q3 FY '23 revenue for trade generic vertical stood at INR 68.4 crores and INR 24 crores, up 49% and 42% Y-o-Y, respectively.

Trade generics vertical contributed approximately 18% and 20% for nine months and Q3 FY '23 to consolidated revenue. Export verticals, nine months and Q3 FY '23 revenue for exports stood at INR 12.8 crores and INR 8.4 crores, up 12% and 124% Y-o-Y, respectively. Export vertical contributed approximately 3% and 7% for nine months and Q3 FY '23 to the consolidated revenue. The total of INR 153.1 crores raised in the IPO has been allocated to various projects as described in the prospectus totalling INR 126.2 crores.

The company has already begun ordering necessary equipment for the forthcoming injectable project, which is expected to be completed by end of September 2023. Our net cash position is robust, and it has sizable cash reserve for inorganic growth opportunities. The company plans to play a significant role in market consolidation as has been repeatedly stated. That's all from our side. We can now begin the Q&A session. Thank you.

Moderator: The first question is from the line of Amit Shah from AMTA Investment.

Amit Shah: Sir, I have a couple of questions. So firstly, in terms of export market, what percentage of the share comes from regulated and semi-regulated market? And if you can give an outlook on what will be this mix going forward?

Hitesh Windlass: So thank you, Mr. Amit. In exports, currently, we are mostly in the low regulated market, which is the ROW markets like Vietnam, Southeast Asia and such. We have got recent approvals for South Africa, which comes in the regulated space. And there are some small inroads that we are making in CIS countries also in the semi regulated space. But I would say that largely, the focus is weighed by the ROW markets.

Amit Shah: And just wanted to understand on the input price...

Hitesh Windlass: Yes. So Q3, as such, we have seen some decreasing price -- input price volatility. So -- and that essentially has also helped us improve margins slightly because when we have lesser volatility, we have better visibility, and then we can take better calls in stocking and in purchase. So this trend has been ongoing. And if to the extent that what we can see, we are not seeing any more volatile situation as was there in the past.

Amit Shah: So sir, have we taken any inventory losses on our books?

Komal Gupta: Inventory losses as such, we haven't taken any the regular provisioning that we do after the regular accounting practice that continues as is. So no specific losses. However, you only notice that there is an increase in inventory because to manage some fluctuations in the input price, the obvious choices where we know that this is the material that we are going to need, we have been overstocking a bit.

Amit Shah: Understood. And do we have any new product up to us? And what kind of products do we have in the pipeline?

Hitesh Windlass: Yes, sure. This quarter, we are getting -- we have got and are getting several new DCGI approvals in cardiovascular space and even in diabetes. And we continue to use these products because for every DCGI approval, you have 4 years of shared exclusivity. So any other competitor who wants to also launch this product, will have to also do a DCGI approval process, which means that they have to do a bioequivalence or clinical trial just like we have.

So this is a shared exclusivity space, and this is the space that we are investing more and more into and we are going to drive our product pipeline, the CDMO space more and more through this...

Amit Shah: And sir, lastly, what is our capacity utilization for this quarter?

Hitesh Windlass: Sure.

Komal Gupta: At capacity utilization for the quarter is in the range of 42.3%.

Amit Shah: Okay. Thank you. That's it from us.

Moderator: The next question is from the line of Nitin Agarwal from DAM Capital.

Nitin Agarwal: Hitesh have you launched your Sacubitril Valsartan during this quarter.

Hitesh Windlass: So in the current quarter, that means Q4, yes, we are launching. Maybe it will get shipped either today or tomorrow Nitin. There was a lot of back and forth in terms of the lawsuit between the innovator and they got a couple of stays and then those got vacated. Finally, the innovator was again able to block the actual penta hemi hydratecomplex. Now the generics are going ahead with the fixed dose combination approach, and that's what Windlas is also planning to support its customers with.

Nitin Agarwal: Yes. Just saying how many customers would you be supplying to? And what kind of of opportunity do you see around here?

Hitesh Windlass: So Nitin, so earlier, before all the patent back and forth happened, the interest in this was extremely huge. And then some of the large -- when the innovator got the patent back reinstated in the stay on it. Some of the large customers decided to postpone and take a wait and watch approach. So my sense is that given the significant price difference between innovator and what generics are going to launch at, there will be a renewed interest and more and more people will jump on the bandwagon once the product, generic products come to the market.

So we believe that it should be a good product. But because of the patent back and forth between the high court and the innovator, there has been some hesitancy, which, over time, we hope, should work itself out.

Nitin Agarwal: But do you see this being a relevant product for us over the next year or so?

Hitesh Windlass: I do.

Nitin Agarwal: Okay. And barring Sacubitril Valsartan. What are the other -- how many other major similar or larger launches can you sort of foresee over the next year or so?

Hitesh Windlass: So we typically -- our pipeline is sort of built to have something like about 15 to 16 launches in the whole year. But obviously, it is all dependent on the regulators' approval in terms of timing, in terms of whether it happens during the year or not -- but so the number for the whole year is typically between 15, 16 is what we are aiming for.

Nitin Agarwal: Okay. And sorry, just to close that, given where you see the pipeline, prima facie is the pipeline for you attractive enough or meaningful enough for you for us to say maybe get double-digit growth in the CDMO business next year?

Hitesh Windlass: So growth is going to be a function of new launches like from this DCGI approvals, patent expiry molecules. It is also going to be a function of wallet share increase from existing customers and addition of new customers for existing products. So definitely, our goal is to have a significant improvement in the growth for CDMO.

This is -- however, there is a base effect which comes from the volume growth in the overall IPM. If you see overall IPM growth in Q2, a lot of it was from price increases and new launches where we didn't participate, I mean, Q3. And in volume growth also, a lot of it was in the spike in November was from antibiotics. So on a quarterly basis, things are harder to predict. But as I have said in the past also from an annual basis perspective, we want to aim for double-digit growth in this vertical also.

Nitin Agarwal: And lastly, on the trade generics, if you can probably just highlight some of your initiatives and portfolio in geographical expansion and how do you see this segment over the next couple of years?

Hitesh Windlass: So this is really a very, very big opportunity, and I believe it is the opportunity for not just Windlas, but also for the overall pharma industry as a whole. As I've said in the past also, if you see the -- there are only about 400 to 450 odd towns and cities in India, which have a population of more than 1 lakh. And these are the places where doctors are there and branded generic model works very well to have medical reps and feet on the ground.

But a huge number of people, almost 70% of India is living in villages and kasbahs, which are more than five and half lakh in number. And you cannot target this market of five and half lakh villages and kasbahs, by putting feet on the ground like a medical rep model. So this is where the whole trade generics space is. And even in this trade generic space, people are -- there are several companies, which are more than 10x bigger than us. So we believe that there is a very strong rationale for a quality player like Windlass, to offer authentic, affordable and accessible drugs in this space.

And that's what we are doing, and we are even branding ourselves at the umbrella level, as an affordable, authentic and accessible generics company. So this is where I believe we have a lot of enthusiasm in the company, and we want to take this forward for sure, with more gusto.

Nitin Agarwal: So what kind of growth rate do you see in this business over the next to three years, if you were to just hazard a guess here?

Hitesh Windlass: So Nitin, we are not providing guidances like that. But look, if you see, we have been growing at about 40%, 42%, 47% in the past. As we increase in size, obviously, the growth will taper off. But I believe it is possible in the long run also, to grow 20%, 25% plus in this vertical.

Moderator: The next question is from the line of Neelam Punjabi from Perpetuity Ventures LLP

Neelam Punjabi: So my first question is on the injectable capex. We have done about INR 23 crores till now. By when are we planning to do the balance INR 27 crores?

Hitesh Windlass: Neelam, we -- these are -- the POs have already been placed and the amount is already committed. We will most likely finish off everything by March 31. So I mean, we will not most likely because we were already committed in milestone payments, for various purchases.

Neelam Punjabi: So how long will it take you all to get to the 1.3x asset turns that you had alluded in the past in this business, injectable facility?

Hitesh Windlass: So the facility that we are building, Neelam, is geared towards export markets. And we believe that, of course, so there is a period of qualification and then getting the regulatory approvals for those various markets. I believe that anywhere 1.5 year to two years is a minimum time that a new injectable facility should take to get to the asset return ratio number. Especially because -- and we want to use this capacity more for exports because it is a high-end facility, and it is the margin profile in exports in injectable is a far better than margin profile in domestic. So we will have a balance over there. But my sense is that about two years is something that one should factor in for any new facility.

Neelam Punjabi: My second question is on the export business. So since you said that, we have already received the South African regulatory approval, have we started supplying there, in terms of this quarter?

Hitesh Windlass: No. So we are in the final stages of finalizing the art work and everything with our customer. In fact, just today, we have received one more approval in South Africa. But -- so we are in the final stages for that, and we are hoping that we should be able to commercialize in Q4, but if not, then it will go into Q1.

Neelam Punjabi: And what's the growth trajectory that you're looking at for this export vertical, given FY '23 has been a bit muted. So what's the outlook, here?

Hitesh Windlass: So, exports verticals since the incubation time period for export registrations is much longer. On our five-year aspiration over here was 4x, when we started from -- we're still at INR 20 crores roughly. So that's where we are looking to go in about a four year to five-year time frame to about INR 80 crores kind of a number.

Neelam Punjabi: And sir, on the CDMO business, our aspiration initially was to double our business in five years. And given our growth has been pretty much muted this year. Are we confident to get towards that target that we had set for ourselves during the IPO?

Hitesh Windlass: So, we believe that there are a lot of areas of opportunity that we are exploring to bring back the growth. First of all, that is very important. And if we look at in the past also, even a 10-year CAGR has been close to about 13%, 14% growth, in that vertical. So, my sense is that it should be an achievable number in the CDMO segment, over a three year- to four-year period time frame, the CAGR. How we get there and how we deliver to this mandate is definitely something that we are working on. And I believe that, that target should still remain the same.

Moderator: The next question is from the line of Parth Vasani from KK Advisors.

Parth Vasani: So, my first question was I wanted to know our current capacity utilization level?

Komal Gupta: Our current capacity utilization for quarter 3, it was about 42%.

Parth Vasani: Sorry, about...?

Komal Gupta: For quarter 3, it was 42%.

Parth Vasani: And my second question was, are we undertaking any new capex in the near future?

Hitesh Windlass: So, we are currently -- obviously, as you know, we are focused on the injectable capex that we are working on. And we have capacity sufficient for one year, 1.5 years for oral solids as of now because these facilities can go up to a maximum of about, let's say, 65%. So currently, in the very near term, we are not. But I believe is to achieve our four-year aspiration, five-year aspiration, we will need one more expanded unit, one more unit to get to those numbers.

Moderator: The next question is from the line of Viraj Shah from Shah Investments.

Viraj Shah: Sir, as you mentioned in the previous answer, the main focus is on injectable facility. Once commercialized, how much it will be contributing significantly to a domestic CDMO business or exports?

Hitesh Windlass: So, we feel that the asset turn on this facility of roughly around 1.2 is in the range point, most injectable facilities. We have built a plant keeping even PIC/S and European standards in mind. As we begin to commercialize in various markets, it will take time for those regulatory approvals and supplies to start. My sense is that probably the mix will be initially more towards trade generics and CDMO and then take off for -- and towards the end of four years will be more towards exports and less towards CDMO.

Viraj Shah: Okay. And on the inorganic expansion front, I just wanted to understand what kind of companies are we targeting? And what kind of synergies are we expecting from that?

Hitesh Windlass: Sure. One of the companies that we looked at in this year, actually in the last quarter was a CDMO player for Europe and Canada markets, and we fortunately found out some adverse information in our quality audits, and we decided not to go ahead with that. But that was a fairly large opportunity. There are other opportunities that we are evaluating, which are in the exports vertical for acquisition of market authorization.

There are also areas that we are trying to look at in terms of dosage form assessment where those dosage forms that are not with us like ointments, protein powders or products like steroids, hormones. So these are some things that we are looking at. But of course, it depends on the availability of the opportunity and the attractiveness.

One thing that we don't want to do is to rush into anything, which jeopardises our very strong balance sheet today. And we're very mindful that opportunities will definitely come. And having a strong cash position, having a strong business is the biggest priority. So that's what we are executing on.

Viraj Shah: And sir, on the team side, when we will see new CFO joining our team, is the recruitment under process or what is?

Hitesh Windlass: Yes, the recruitment is under process and we are evaluating several candidates going through various rounds of interviews. And my sense is that we want to bring that candidate in soon as possible, but probably at least three, four months' time is probably expected.

Viraj Shah: And appointing Komal mam as a new CEO, are we looking at any strategy change or something like that?

Hitesh Windlass: So what it does is, first of all, Komal has been the CFO of the company's last six, seven years and has a very, very strong understanding of the business in various areas, aside from her core area of finance. And so it's a very good perspective to drive the business with someone who has the understanding as well as the knack for the numbers. The idea is also so that once the operation growth is taken up by Komal, it will free up time for both myself and Manoj to have more client engagement to focus on mergers and acquisitions.

And also drive some of our presence in various investors conferences and showcase our work there. So these are all areas that we are looking to improve our presence in, and that's where some of this change will allow us to do that while the operations are in very strong and good hands.

Moderator: The next question is from the line of Akash Mehta from Capaz Investments.

Akash Mehta: Beyond the FY '25 target that we've given, what is the longer-term mix that we are targeting in the three verticals?

Hitesh Windlass: See, one is our trade generic vertical, as we have shared earlier also, is a higher-margin vertical for us because we also partake in the distribution margin aside from the manufacturing margin. And exports is further better. So definitely, for us, the more and more proportion of exports and trade generics in our sales, the more or better bottom line impact overall for all shareholders.

So that's where we are definitely trying. But this is not to say that we are not emphasizing on the CDMO vertical. We are. And however, it is in that vertical, we don't play in the growth segment due to price increases because our model is a cost-plus model. So while we don't have input price shocks, we also don't participate in the price growth of the Indian pharma market. So that's why these two verticals, export and trade generics are offering us a very strong opportunity, and we want to continue to push on these. So difficult to predict what eventually will be the proportion, but the higher the contribution from these two verticals, the better the bottom line will be.

Akash Mehta: And in terms of a specific question, what are the status of our API pilot facility, if you could just throw some light there?

Hitesh Windlass: So it is working. We have been developing a lot of our DCGI and patent expiry products in that API pilot facility, where we have also been taking commercial batches, it is for the small volume products up to 10 kg batches that are possible in that manufacturing sector. And they have been helping us in removing dependency in some key strategic materials. So it is definitely an area that we continue to utilize fully. However, we don't have any aspiration to expand or buy -- or get into the API business itself as such. So that's an area API facility is being only used for strategic purposes.

Akash Mehta: And just a quick last one. Do we have any patent expiries that we're targeting in our pipeline at the moment?

Hitesh Windlass: Yes, definitely. There are several patent expiry products in diabetes that are coming up more in FY'23, FY '24. So there are obviously with this work that is happening along those lines. Linagliptin Canagliflozin, Alogliptin these are some of the subsequent notable ones, which are coming up.

Moderator: The next question is from the line of Riya Soni from Soni Investments.

Riya Soni: I had two book keeping questions. Can you just provide the revenue breakup of complex generics versus the conventional products for nine months as well as the current quarter?

Komal Gupta: In nine months, complex generics percentage has been about 76%.

Riya Soni: Okay for this quarter.

Komal Gupta: 24% is the claim

Hitesh Windlass: Current quarter also she's asking.

Komal Gupta: For the current quarter, it is in the range of 74%, almost similar.

Riya Soni: And secondly, what is the top 10 client concentration as on nine-month FY '23, also, where does this number stands for our top customer?

Komal Gupta: Our top customer is below 10% of the overall percentage. And top 10 for nine months is about 42%. And for the quarter, it's less than 40%, actually.

Moderator: The next question is from the line of Neelam Punjabi from Perpetuity Ventures LLP

Neelam Punjabi: Sir, my question is on the trade generics. Our growth that we have delivered over the last two years has been very strong and much ahead of what we had guided earlier. So I just wanted to know on a broader level, five years out, what's the kind of potential scale that you see in this business, and is this a key growth driver for us going forward?

Hitesh Windlass: Neelam. This is actually -- so just to give you some numbers, there are -- Cipla trade generics business is, I think, bigger than about INR 1,500 crores Laborate, which is a purely trade generic company, also bigger than INR 1,500 crores. Leeford which is also a trade generics company nearing something like INR 1,800 crores. And so I believe the opportunity to grow in this segment is really huge. We are hardly going to touch INR 100 crores this year, maybe a little less.

So the way -- but what we are very mindful of is that when you are working with a large number of stockiest across the country with a very small sales force, there has to be a very disciplined approach in receivables. -- And the sales that we do. So we are -- sometimes we are actually making sure that the health of that business in terms of receivables and working capital is of our prime focus. We do not want to sort of just achieve a sales target and jeopardize this health. But I believe that a very, very large headroom of our growth in this business is possible.

Neelam Punjabi: Also secondly, by when will our buyback be completed, given you know the cash position is, given our cash position and valuations are pretty cheap right now for our stock, does it not make sense to do more of buyback?

Hitesh Windlass: So we have six months from the time like from November when we announced the buyback -- to finish the buyback as per the regulator. And so now we have, whatever, two, three months remaining. And as we mentioned, we have out of INR 25 crores, we've only spent so far INR 9.88 crores, and we will continue to spend. I do want to mention that for us, buybacks and dividends are both very, very important. And we see them as a way in which we can reward all shareholders. So, the company is generating strong operating cash.

And we see both buyback and dividend as the ways in which we can continue to hopefully do this. As of now, while we don't have any immediate inorganic opportunities, large and immediate inorganic opportunities in consideration. And this is something that we are looking at for going forward also. But that will be the trade-off. If we find something very, very exciting that generates better shareholder returns, then we will deploy the cash, allocate capital to that. Otherwise, of course, dividend is as per dividend policy, but share buyback is also something that we want to continue rewarding all existing shareholders with.

Neelam Punjabi: Next, I wanted to touch upon the exports market. So are we looking of -- are we keen to get into any new market or any specific market there we want to grow going forward?

Hitesh Windlass: Yes, Neelam Actually, as you know, our Plant Four has been approved by Europe, and we have the European GMP certificate. So we are looking at ways to begin supplies to that continent. We are mindful that there has been a lot of price erosion over there also, but there are some good opportunities, and that's an area that we are evaluating off in terms of how to get..

Neelam Punjabi: Will you be looking to put your own front end for the exports business or just work with the distributors in those markets?

Hitesh Windlass: So in these markets like Europe, the front end is actually very small. Typically, most companies have a six to seven people only who are contracting and managing the quality and finances and things like that. So it is not something that we would rule out. We want to -- it will give us a very strong footing to be able to understand the local opportunities and build our portfolio as well as future strategy accordingly. So we will definitely be evaluating some of these.

Moderator: The next question is from the line of Yogesh Tiwari from Arihant Capital Markets Limited.

Yogesh Tiwari: So, my question was regarding working capital. What is the current scenario for working capital? And what will be the changes in working capital once our exports and trade generics contribution increase and CDMO contribution reduces in future?

Komal Gupta: Our working capital is in the range of around 80 days, 82 days. And we don't see much of a change. So, for trade generics, there will be a bit of higher inventory levels. However, for exports, we have lesser number of receivables, for trade generics number of days for receivables are in the similar range. So, we don't see much of a change. Working capital should remain within the range of 70 days to 85 days.

Yogesh Tiwari: And in terms of exports, what would be the regional mix as of now for export?

Hitesh Windlass: So currently, as I mentioned, Mr. Tiwari, we are more focused in Southeast Asia. That would be the highest concentration and slowly as these new markets get added, but they will get added over a longer time span since the dossiers and approval time span is longer in exports. So, over a three-year, four-year period, my sense is that we will have supplies to Europe, we will have supplies to Africa and, of course, some areas of Middle East and even Southeast Asia. So, these are all areas where there is a demand and we have the skills and the ability to tap that also. So that's an area that we are trying to build this vertical towards.

Yogesh Tiwari: And sir, lastly, one question on CDMO. Maybe, I have missed the answer. So, there has been a decline in CDMO revenues on a Y-o-Y basis. So, what would be the drivers for the decline?

Hitesh Windlass: So, on a Y-o-Y basis, actually, it's a flat. It's a 2% growth. So, I would not say it's a decline. But still, it's a flat. And as I mentioned, there are the overall IPM growth. Indian pharma market volume growth was in the range of 2% to 3% if you take out the antibiotic growth that happened in November. So, there is a base effect where our customers are selling less, right? To some extent, that plays into our order books and therefore, that aspect.

However, there is -- if you remember about Q2, where the overall IPM was still 3% to 4%, 5% volume growth, but we delivered a 15% growth in quarter. So really, my sense is Mr. Tiwari that we have to see it more on a YTD basis on an annual basis because from a quarterly perspective, our -- while we are at whatever INR 400 crores, it is still too small. And the fluctuations can be there due to some new launches happened, some things got postponed, some multinationals not picking up inventory towards December and various small things. So, my sense is that we should look at this more from a YTD basis. And there also, I believe that double-digit growth is possible and we are working on ways to bring that back.

Yogesh Tiwari: And any new customer added in the CDMO business in the quarter?

Hitesh Windlass: Yes definitely, we have added new customers, but any large noteworthy one-- So, no sort of large new customer added in Q3.

Moderator: I now hand the conference over to Ms. Komal Gupta, CEO and CFO at Windlas Biotech Limited for closing comments.

Komal Gupta: We wish to thank you, everyone, who attended the call from management side. Thank you very much.

Hitesh Windlass: Thank you, everyone, and really appreciate the questions.

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