CONCORD BIOTECH LIMITED

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November 16, 2023

To	To
The Manager, Listing Department **National Stock Exchange of India Ltd.** Plot No. C/1 G Block, Bandra-Kurla Complex, Bandra (East), Mumbai -400 051 Symbol: CONCORDBIO	General Manager, Listing Department **BSE Limited** Phiroze Jeejabhoy Towers, Dalal Street, Mumbai – 400 001 Scrip Code: 543960

Dear Sir/Ma'am,

Subject: Transcripts of Q2 & H1 FY24 Earnings call held on November 09, 2023

In continuation of our letter dated November 09, 2023 regarding Audio recording of the Unaudited (Standalone and Consolidated) Financial Results of the company for the Quarter and half year ended September 30, 2023, Earnings call for Investors and Analysts and pursuant to Regulation 30 (6) of the SEBI (Listing Obligations and Disclosure Requirements) 2015, the transcripts of the Earnings call for the said period enclosed herewith and available on the website of the company at the following link after sending this letter to you. Also please note that this transcript and the audio recording of the call, both have been uploaded on our website as follows:

https://www.concordbiotech.com/investors

Kindly take the same into your records and oblige.

Thanking you,
Yours faithfully

For Concord Biotech Limited

PRAKASH
LALCHAND SAJNANI

Digitally signed by PRAKASH LALCHAND SAJNANI
Date: 2023.11.16 15:29:41 +05'30'

Prakash Sajnani
Company Secretary and Compliance Officer
M. No. F6242

Encl: as above

“Concord Biotech Limited

Q2 and H1 FY ’24 Earnings Conference Call”

November 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 9th November 2023 will prevail.

MANAGEMENT:	**MR. SUDHIR VAID – CHAIRMAN AND MANAGING DIRECTOR – CONCORD BIOTECH LIMITED** **MR. ANKUR VAID – JOINT MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – CONCORD BIOTECH LIMITED** **MR. LALIT SETHI – CHIEF FINANCIAL OFFICER – CONCORD BIOTECH LIMITED** **MR. PRAKASH SAJNANI – COMPLIANCE OFFICER AND ASSISTANT VICE PRESIDENT, FINANCE– CONCORD BIOTECH LIMITED** **SGA, INVESTOR RELATION ADVISORS – CONCORD BIOTECH LIMITED**
MODERATOR:	**MR. SAGAR SHROFF – STRATEGIC GROWTH ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 and H1 FY24 Earnings Conference Call of Concord Biotech Limited. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as in the date of this call. These statements are not the guarantees of future performance and may 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, 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. Sagar Shroff from Strategic Growth Advisor. Thank you and over to you, sir.

Sagar Shroff: Thank you, Aman. Good afternoon, everyone and thank you for joining us on the Q2 FY24 earnings conference call for Concord Biotech Limited. Today, we are joined by Mr. Sudhir Vaid, Chairman and Managing Director, Mr. Ankur Vaid, Joint Managing Director and CEO, Mr. Lalit Sethi, Chief Financial Officer and Mr. Prakash Sajnani, Compliance Officer and AVP Finance

Company has uploaded its financial results and investor presentation on its website and stock exchanges. I hope everybody had an opportunity to go through the same. We will begin the call with opening commentary by the management followed by a Q&A session.

I would like to hand over the call to Mr. Sudhir Vaid, Chairman and Managing Director for Concord Biotech Ltd. Thank you and over to you, sir.

Sudhir Vaid: Good evening, everyone. Thank you for joining us on our Q2 FY24 earnings conference call. We are happy to report a robust financial and operational performance for the quarter ended September 2023. Our revenues during this quarter grew from INR 159 crores to INR 262 crores, a growth of 65% over the same quarter last year. EBITDA and PAT in this quarter grew to INR 116 crores and INR 81 crores from INR 37 crores and INR 22 crores respectively in Q2 of last year.

Similarly, our half-yearly revenues stood at INR 457.2 crores, a growth of 35% with EBITDA margins at 42.4% and PAT margins at 29.6%. Concord has cultivated a significant level of expertise in the fermentation process, allowing us to create and bring to market a diverse range of fermentation-based APIs.

Fermentation is a complex procedure that demands specialized manufacturing knowledge, working with different types of microorganisms, meticulous control of various process parameters and multiple purification steps. This technical expertise along with years of manufacturing experience and diverse customer base creates a high entry barrier for this business.

Concord has emerged as the dominant player in the field of immunosuppressants, uniquely holding a complete portfolio of fermentation-based APIs for these specific drugs worldwide. Furthermore, we are working on creating leadership positions on other specialized fermentation-based APIs in oncology, anti-infective and antifungal space. In some of the APIs, we are already seeing this play out and we are getting good inquiries and orders for these molecules.

In addition to our technical proficiency, we operate extensive manufacturing facilities with a consistent track record of regulatory approvals and compliances. This enables us to supply to both regulated and unregulated international markets. Our robust research and development capabilities coupled with an in-house R&D team have allowed us to develop these specialized products, including the manufacturing of the key starting materials, giving us competitive advantages.

As a part of our forward integration, we had also commenced our formulation manufacturing of oral solid doses in 2016 and are on track to commence our upcoming injectable facility by Q1 of FY25. This will help us penetrate even deeper in markets across geographies. Over the years, we have nurtured our enduring relationship with key clients, including prominent global generic pharmaceutical companies. Currently, we serve over 200 customers across more than 70 countries, providing both APIs and formulation products.

Going forward, we remain confident of our growth strategies of penetrating deeper for our core molecules and increasing wallet share among existing customers, adding new customers across geographies in regulated and emerging markets, adding new moleules in the niche category to create a large product portfolio and offerings under one roof.

Thank you. And with this, I hand over the call to Mr. Ankur Vaid, Joint Managing Director and CEO, Concord Biotech Ltd. Thank you.

Ankur Vaid: Thank you, sir. We are delighted to announce a robust performance for Q2 FY24 and our outlook for H2 remains optimistic and in line with our annual guidance. In Q2 FY24, we achieved revenue of INR 262 crores against INR 159 crores in the same quarter last year, with API revenues increasing by 46%.

Our formulation revenue, which stood at INR 35 crores in this quarter, is in line with our outlook of FY23/24. It is essential to emphasize that our financial results should be evaluated on an annualized basis rather than on quarterly one. This approach accounts for potential fluctuations in quarterly revenues.

We are optimistic to surpass our historical 18% CAGR growth in this year. We are pleased to share that following the recent regulatory inspection conducted by USFDA, we have received the EIR of our Limbasi site and no observations were given by them. This approval has unlocked additional capacities for global markets for our existing products. As subsequent to the USFDA inspection, customers have started initiating the process of including the Limbasi facility in their dossier. With this, our customers get the flexibility to procure APIs from both sides. This development is expected to fuel revenue growth in both regulated markets and other markets.

For the upcoming year, our company's primary focus will be on consolidation and optimizing the utilization of our capacities at Limbasi and Valthera plants. This strategic move is poised to serve as the primary catalyst for revenue growth. By enhancing operational efficiency and leveraging our operations, we anticipate an improvement in our EBITDA margins.

In Q2FY24 our export revenue stood at INR 138 crores as against INR 72 crores in Q2 FY23. This increase can be attributed to our successful expansion into both regulated and emerging markets, driven by our diverse product portfolio spanning across various therapeutic areas.

Let me speak about our growth drivers going forward. Firstly, in our API business, we anticipate growth through our existing product portfolio. This growth will be fueled by industry expansion, steady shift of market from innovators to generic alternatives and an increased market presence in global markets.

This potential is bolstered by our robust manufacturing capabilities, technical expertise, and state-of-the-art manufacturing facilities all complemented by consistent regulatory approvals on a timely basis. Another growth driver for Concord is the addition of new APIs in the niche category to create a large product portfolio and offerings.

On the back of our strong and competent R&D team, having expertise in fermentation and semi-synthetic APIs and continuous developments, we are confident of commercializing products across niche fermentation and semi-synthetic-based APIs across therapies. We have a pipeline of products currently in development stages, which are slated for commercialization over the next 2-3 years.

This strategic move allows us to expand further and tap into new opportunities. Some of the indicative products in the pipeline include Cyclosporine, which is an immunosuppressant, Fidaxomicin, Daptomycin, which are anti-infectives, Epirubicin, Doxorubicin, Idarubicin, and Pirarubicin, which fall under the oncology. There are several other products which are in the pipeline at various stages.

Speaking of our formulation business, formulation revenues have been steadily increasing. We have close to 77 approved formulation products in India and 4 ANDA approvals for our 6 products from USFDA, and a total capacity of 802 million units. We have also filed doziers in the emerging markets. In several of these markets, we have got approvals for our products and have started commercial sales. We expect several other markets to open up for us in the coming years. Also, with our new injectable facility, commercializing in quarter 1 of FY25, we are confident of increasing our business from the formulation vertical as well.

Over the years, Concord has diligently cultivated its capabilities and an extensive range of products, positioning itself as the forefront of competition. We have steadily expanded our customer base across global markets, and this strategic approach has solidified our reputation and enabled us to make deeper inroads by attracting additional customers and further penetrating our existing client base.

To conclude, I would like to say that with our strong presence across the fermentation value chain, market leadership in several of the fermentation APIs, and focus on complex niche fermentation APIs across therapeutic areas, and increasing utilization of our capacities, we are confident of outperforming the industry growth.

With this, I hand over the call to Lalit Sethi for financial highlights for quarter two of this financial year. Thank you.

Lalit Sethi: Thank you, Ankur. I will take you through now the financial performance of this quarter. On the revenue front, our revenues for quarter two financial year 24 stood at INR 262.4 crores as compared to INR 158.9 crores in the same quarter last year, which represents a growth of 65%. Revenues for H1 grew by 35% from the same period last year.

Our revenue from API business grew by 46% in this quarter and stood at INR 227.4 crores. In H1 FY'24, API revenue stood at INR 390.3 crores, representing growth of 26% from the same period last year.

Revenue from formulation business in this quarter stood at INR 34.9 crores, and for H1 FY'24, it stood at INR 66.9 crores. Domestic revenue grew by 44% and 38% respectively for quarter two and H1FY24. Our export revenues for quarter two grew from INR 72 crores to INR 138 and for H1, export revenues grew from INR 174 crores to INR 228 crores.

Speaking of EBITDA. Reported EBITDA on a standalone basis for quarter two of this financial year stood at INR 119.2 crores, which is 45%. EBITDA Margin for H1 stood at INR 191 crores, which is 42%. EBITDA Margins, including the share in profit from the JV, stood at INR 115 crores, with a margin of 44.1% in quarter two of this financial year.

On profit after tax, our profit after tax for quarter two of this financial year stood at INR 81 crores, which is 31%, and PAT for H1 stood at INR 135.5 crores, which is 30% of revenue from operations. So with this, I shall now leave the floor open for questions and answers.

Moderator: The first question is from Alankar Garude from Kotak Institutional Equities. Please go ahead.

Alankar Garude: Hi, thank you for the opportunity and congrats on a very strong performance. So we have seen a big surge in this quarter in growth, 65% year-on-year in top line. Now, was there any lumpiness which experienced this kind of a growth? I am asking because if you look at our performance in the first quarter, we were at sub 10% year-on-year growth. So just wanted to check whether there was any postponement or maybe even a preponement of orders in this quarter.

Lalit Sethi: Basically, in this quarter, the sales have increased from INR 159 to INR 262 crores, the growth of 65%. However, Concord should be viewed from an annualized basis rather than on quarter-to-quarter basis. So in fact, there could be quarter-to-quarter variations in the procurement pattern of our customers, maybe due to several reasons, such as upcoming production schedule at the customer's end.

So as a result, they may procure more in a specific quarter than the other quarter. So however, we do not see any change in the annual demand and that we have forecasted from our customers. So therefore, on an annualized basis, we expect to do better than our historical CAGR of 18% growth. The same would be for the profitability, as there would be certain costs which are expected to be incurred in the second half of the year. So however, we expect the EBITDA margin to grow better than our growth in the sales.

Alankar Garude: Sir, can you help with maybe more details on whether the change in ordering patterns in this quarter. Was it specific to one customer or a set of customers or maybe was it for just one product or maybe a set of products? Any details on that would be helpful, sir.

Ankur Vaid: Yes. So, this we have seen across several of our customers, because as you would have seen that our first quarter growth was close to around 7% to 8%. So we do expect that some of the spillover would have happened to quarter two and there could have been some pre-ponement of say quarter three into the quarter two sales.

However, we have seen these across all our segments, the growth that has come up. So as a matter of fact, I'm pleased to inform that we saw higher growth in the oncology and anti-infective segment vis-a-vis our immunosuppressant. So while all of them grew, the rate of growth was higher in the oncology and -anti-infective segment.

So, I would say that this is primarily based on how some of our customers have picked up the material and there have been some spillovers from previous quarters or from the coming quarters into this specific quarter two. But as mentioned by Lalit, we are optimistic that, , we will grow better than our historical CAGR and we do not see any changes in terms of or any concerns in achieving that number on an annualised basis.

Alankar Garude: Sure, that's helpful, Ankur. A follow up to that would be you mentioned about being optimistic about the second half as well. Now, in our previous call, we had mentioned about a 40 to 60 mix broadly between the first half and the second half. Now, given the strong performance we've seen in the second quarter and consequently the first half, should we expect a similar 40-60 mix in this time around as well, in this fiscal as well?

Ankur Vaid: So I would say that, again, coming to what Lalit said that, while we have seen that historically, it does not really mean that going forward also every year, this could be a similar trend because of this lumpiness in the sales that one would observe.

So, while we are confident that in order to achieve that CAGR growth that we spoke about, our quarter two would have to be, would be better off than what quarter one is. But the percentages could be varying in order to achieve our annualized growth number.

Alankar Garude: Understood. And maybe one final question. See, on the annual guidance as well, right, you mentioned about growing at more than 18% year on year in FY'24. Now, the first half growth itself is around 35%. So, I know you mentioned 18 plus percent, but are you being a bit conservative in your top-line guidance for this fiscal?

Ankur Vaid: No, we would continue to stick with the guidance that we have and, one should go with that guidance going forward as well.

Alankar Garude: Fair enough. I shall thank you and all the best.

Ankur Vaid: Thank you.

Moderator: Thank you. The next question is in the line of Jigar Walia from OHM Group. Please go ahead.

Jigar Valia: Hi. Congratulations on the great set of numbers and thanks for the opportunity. If you can help us understand the update on the various plans and in terms of utilization as well, it would be great. So, maybe your perspective around timelines for the FDAs and the utilization of the various plans?

Lalit Sethi: In fact, as far as the capacity utilization of these three plans are concerned, in Unit-1, we have been operating at a capacity of around 78% and in Unit-3, Limbasi, we have been operating at around 35% to 36% and in Unit-2, we have operated at around 14% to 15% capacity utilization for H1 of 2024.

Jigar Valia: In terms of broader timelines, in terms of the FDA approvals for this, will the injectable plant which will come up at Valthera, that also would be clubbed and the final approval come only after that or how does it?

Ankur Vaid: So, the injectable Plant , as you mentioned, will be ready by Q1 of FY'25 and the next financial year will be more towards getting the validation batches and doing the filings and this facility is primarily targeted towards India and emerging markets.

So, there could be a possibility that by the end of next financial year, we could get some regulatory inspections from some of the emerging market authorities but it will all depend on how the filing of the dossiers go from the injectable side.

Jigar Valia: Got it. So, as of now, Limbasi, Valthera continue to be towards either domestic or ROW markets and Dholka would be towards both regulated as well as the other markets?

Ankur Vaid: So, Dholka is for global markets because it is approved and , inspected by US, Europe, Japan, Korea and several other authorities. The Limbasi facility which is the new API facility was built in 2021, that facility is also USFDA inspected. So, inspection happened in June of 23 and which was concluded with zero483 observations.

So, with that, we have now continued, we have started our supplies to several of our customers in the regulated markets as well from that Limbasi facility. So, Limbasi facility caters to several regulated markets as well as India and emerging markets and Valthera facility which is the formulation facility is approved by USFDA and several other emerging markets from where we are supplying our finished formulations to global markets.

Jigar Valia: What would be the mix for regulated markets for Q1, Q2 and follow up is that, would the ROW margins be similar to the domestic business?

Lalit Sethi: As far as regulated, markets are concerned, it is around 17% in US and 33% in the ROW of the total sales in quarter two and H1. With respect to the margins, our margins within regulated as well as emerging markets are more or less the same.

Jigar Valia: Thank you so much. Thank you.

Moderator: Thank you. The next question is from the line of Vivek Agarwal from Citigroup. Please go ahead.

Vivek Agarwal: Hi, thanks for the opportunity and congrats for a good set of numbers. Ankur, if you can talk about how the pricing trends were there in some of the top products, that would be really helpful. And basically, how was the growth contributed as far as the pricing is concerned, as far as the volumes are concerned? So, if you can throw some light. Thank you.

Ankur Vaid: So, for the half year numbers, all the growth has come through volume only. Our pricing has been relatively stable. And as we mentioned that we have added newer customers, there could have been a differential pricing to those customers. But otherwise, our pricing has been fairly stable for all the products and the growth has been primarily volume driven for us.

Vivek Agarwal: Perfect. That's super helpful. And in terms of new customers, basically, how that is tracking? In the first half, we have grown 35% Y-o-Y, right? So, would you like to attribute a part of a specific number that has been driven by the new customer addition in your existing portfolio? Thank you.

Lalit Sethi : So, we have added new customers in last six months. And I believe that the number is around twenty five customers that have been added in formulation and API business.

Vivek Agarwal: Okay. And in terms of margins, right, we have seen around 200 basis point kind of expansion in the gross margin. So, is it largely due to higher sales or increasing operating leverage or is there any change in cost of material, etcetera?

Ankur Vaid: No. So, the margin primarily has been on account of operational efficiencies that have come in, which have helped in higher EBITDA margins for us as compared to the sales growth that has happened. So, it is primarily because of the operational efficiency that the EBITDA margin has expanded significantly higher than what the growth in the sales number.

Vivek Agarwal: Perfect. Thanks, Ankur. This is helpful. We will join the queue.

Moderator: Thank you. The next question is from the line of Chintan Seth from Girik Capital. Please go ahead.

Chintan Seth: Thank you and congrats for the very great set of numbers. A couple of questions on, again, on the revenue aspect. If you look at last year's base, at least for Q2, the formulation revenue has kind of sequentially declined. Is there any lumpiness in the previous year in FY '23 which led to 40-60 split between first half and second half? And that kind of corrected this year and then we can see some shift from second half to first half.

That can be inferred because Q1 seemed to be, 1Q to Q2, Q2 last year has seen a 12% revenue decline. So, is there any, and because of that, the first half revenue share is 40% for the annual year. So, if you can explain what has happened last year and whether this year will be slightly different from that?

Ankur Vaid: So, in quarter 2 last year, there was some return from one of our customers, from US, because of which it had a negative impact on the formulations sales, which was a one-time impact and the reason for the lower number in the Q2 of the last year.

Chintan Seth: Okay. And the utilization seems to be picking up and from last year closer, the Limbasi has improved from 75% to 78%. How soon or any indication in terms of what will be the year-end utilization levels we are targeting based on the orders we have?

Lalit Sethi: So, in fact, utilization for Dholka plant is around 78%, which was 75% in the last year. But in Limbasi, it is 32% in Q2.

Chintan Seth: And Limbasi is 32% or 35%? You mentioned 34% to 35%.

Lalit Sethi: 32% is in Q2 and around 36% in H1. . Last year, I think it was around 30%, And in Valthera, it is around 15%, which was 12% last year.

Ankur Vaid: So, just to add to what Lalit mentioned that, the oncology segment saw good growth for us. And the oncology facility is only there in Dholka and not in Limbasi. So, this also kind of correlates with that, that the higher utilization number beyond a certain point is getting attributed to quite a large extent towards the oncology, which kind of contributed to this half-year number growth.

And at the Limbasi facility, we continue to see higher capacity utilizations on account of deeper penetration into markets and engaging more with our customers. And the Valthera facility, we are seeing good traction in the emerging markets as well as in India market, which is leading to higher capacity utilization for the formulation facility.

Chintan Seth: Great. Okay. And just last on, last bit on the oncology part, this is the new business which we are getting and that is kind of getting ramped-up or this was a new customer, any color on the oncology part, if you can, and how sustainable is this ongoing business, , which will continue for the upcoming quarters?

Ankur Vaid: So, I think it's a blend of both. So, our existing customers, there is an increase in the wallet share and we are also reaching out to newer customers for our products. So, I would say, it's a good blend between, the two, because of which we are seeing this increase in the oncology segment as well.

And going forward, as I mentioned that, , with API manufacturers, once we start engaging with our formulation customers, there is a lot of stickiness to the business. So, we expect this to continue over the years. And as Concord is known for creating a leadership position for its APIs, we expect to create similar leadership position on the other segments, such as oncology, anti-infectives , and antifungal, as we have done it for the immunosuppressant segments over the years.

Chintan Seth: Right. Thank you and all the very best and greetings for the festivity . Thank you.

Moderator: Thank you. The next question is from the line of Aarti Rai from Equentis Wealth Advisory. Please go ahead.

Aarti Rai: Yes. So, thanks for the opportunity. I wanted to check on a couple of things. The first one being the CDMO opportunity. So, while we spoke last, we did mention that the current year would not include any opportunity in the estimate. So, by when do we go? I mean, from the past conversations, would it be good if we can have some update there, given Limbasi is also now doing well on utilization. So, any update on when we should start building in numbers from that opportunity?

Ankur Vaid: So, CDMO is a segment that we have considered from a medium term to a long term perspective only, because while we have free capacity at our Limbasi facility and are also getting regulatory approval for that site, opportunities like CDMO does take its own set of time and hence we have put it from a medium to a long term strategy. That being said, we are engaging with potential customers. We are discussing with them and showcasing our strengths and capabilities so that there is a potential opportunity for us to kind of work with these clients. But one should consider this from a medium to a long term perspective only.

Aarti Rai: Okay. So, when we say, engaging with customers, is it primarily our existing customers or are we speaking with some new client as well?

Ankur Vaid: So, most of the discussions that are happening or where we are reaching out are with respect to new customers, who are because these set of customers would either be, people having very, very large presence within the API segment and they want to contract it out rather than formulation players with whom we typically engage in. So, the customer base is slightly different from the ones that we engage in.

Aarti Rai: Okay. One question on Limbasi. So, presently as we stand at around, say, 32% utilization and on the last call we did speak off about the utilization of 75% to 80% in the next two years. So, over the at least next two years, I mean, how do we look at the utilization, say, from 32%, 34% now? So, full year where would we be and say 25% and 26% next couple of years, tentatively?

Ankur Vaid: So, I won't be able to give you guidance on how the capacity utilizations would work out. But as I mentioned in our previous discussions as well that we expect to have a CAGR growth of around 25% over the next five years to six years on the top line, wherein much of growth coming from the Limbasi facility. And given our asset turnover, given, how the growth that we are looking on our five year to six-year period, one can look at from how the capacity utilizations could be.

But reaching to 70% to 78%, is going to be a four year to five-year process and not a two-year process because we have created almost twice the capacity that we have at Unit 1, which is 800 meter cube. So, with that, and considering our growth guidance for the next five years to six years, it will be at least four years to five years before we start reaching to that level of the utilization that, you spoke about.

Aarti Rai: Okay, great. Thanks for that one. I'll join back the queue.

Moderator: Thank you. The next question is from the line of Alok Dalal from Jefferies India Private Limited. Please go ahead.

Alok Dalal: Yes, hi. Ankur, good afternoon. So, first one on contribution of top five APIs for the quarter and first half, please?

Ankur Vaid: So, we are not sharing details on a product-on-product or a Top 5 molecule. But yes, I think what we can share is that products from the oncology segment has contributed, has seen a lot of traction. And we see that the segments such as the oncology are picking-up quite a lot what we see in this year. And we're also seeing good traction from the other segments such as the anti-infective segments as well. So, seeing good contribution from across the therapies.

Alok Dalal: Okay. And, Ankur, these, the traction that you see are from new customers or this is wallet share gain from existing ones?

Ankur Vaid: It's a blend of both, Alok. So, we are primarily driven by increase in the wallet share because new customer addition, while it is contributing, it is not contributing that significantly to the overall onco growth, but it is a blend of both. But I think our engagement with customers have now started to increase within the other segments as well, which is resulting in this.

Alok Dalal: Okay. Second one is on the Japan JV. So, can you provide more color on what type of JV arrangement is this? Is there some technology involved in this JV?

Lalit Sethi: No, basically it's a sale and purchase transaction which happens with the JV. Concord India, sells the material to Concord Japan for onward selling in the Japanese market.. As per Japanese laws, it is a requirement that there should be one caretaker. Therefore, there is a separate entity which has been created in Japan for that purpose.

Alok Dalal: Okay. Thank you. And Ankur, you mentioned about some new costs which will come in second half. Can you provide some more color on what these costs are?

Lalit Sethi: It's expected to be on injectable units. We are expecting to get it commercialized in the month of December 23. And for the last quarter, there could be some expenses which will be spent on the validation batches and which would be on the stability. So, those kinds of expenses are expected to be there in quarter 4.

Alok Dalal: Okay, sir. Thank you, Mr. Lalit. Yes, that's it from my side. Thank you..

Moderator: Thank you. The next question is on the line of Monish Shah from Antique Stock Broking. Please go ahead.

Monish Shah: Yes. Hi. Thank you for the opportunity. Sir, just a question on the existing products. Amongst our key products like Tacrolimus, cyclosporine, and everolimus, there are different dosage forms, like an extended release or a gel or a solution, which is going off patent next year and, you know, a couple of years after. So, just wanted to check, does that give us a sizable opportunity from generic entry standpoint?

Ankur Vaid: Yes, that does. And we are working with several customers for such kind of new formulations as well.

Monish Shah: Okay. And that drives your revenue guidance? I mean, that is a sizable part of revenue guidance?

Ankur Vaid: So, it will all depend in terms of how the generic players kind of get into the products once it becomes generic. So, when we talk about the overall guidance over the next four years to five years, such kind of opportunities have been built into that.

Monish Shah: Okay. Got it. Yes, that is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Huseain from Carnelian Capital. Please go ahead.

Huseain Bharuchwala: . Sir, we were in discussion and looking at some of the CDMO opportunities. Is there any opportunity just coming to us? Are you in discussion with some of the clients on the CDMO part?

Ankur Vaid: So we are in discussion with the customers, but, these customers, again, are evaluating multiple vendors. They may have their different timelines to kind of look at in terms of when they want to initiate such kind of CDMO opportunities. So, while there are engagements that do happen, it may take time for it to fructify So, discussions do happen, but that's why we have put it on a medium term.

So, I would say, , there have been a lot more discussions happening, both from customers end because they're seeing Concord having the capacities, having approvals, and we also are reaching out to our customers because of the capacities and approvals in place. So, we are evaluating and are hopeful that we should see some opportunities getting built-in, in the coming years on the CDMO front.

Huseain Bharuchwala: Got it. And secondly, since you and CFO said that we will grow at more than 18%. So, this year we will grow at 18% plus 1% or 2% additional. And also you said a 25% plus growth over the next four years. So, it's some understanding on my end, to what should be the growth that we should expect from the company going forward?

Ankur Vaid: So, what Lalit mentioned is that historically we have grown at a CAGR of 18% and we have different growth levers, both at the API as well as at the finished formulation, which will help us grow at a CAGR of 25% over the next five to six years. Because, , this is going to be a gradual process from going from 18% to 25% CAGR because, we are, like in this year, we have got the approval from the US FDA. Customers are including our Limbasi facility into their dossier.

So, we will see some growth happening on that end. There will be some growth coming in from the formulation as well. Subsequent year, we would also see that, there will be more consolidation at these two fronts, but also the injectable business will start kicking in.

And then, of course, new R&D products as they keep getting commercialized, may be one to two products every year, they would also slowly and steadily start contributing. So, that's why all these three, four opportunities when clubbed together will result into a 25% CAGR growth over the next five to six years. And one has to see it as a gradual move in terms of how we go from 18% to 25%.

Huseain Bharuchwala: Got it. And secondly, sir, when you said that, there was one customer whose product got returned in Q2 of FY '23. So, as a result, we are seeing some sort of year-on-year comparison. There is some lumpiness. Was it a sizable return? So, should we consider this as a lumpy quarter for this year, wherein the numbers are way higher than year-on-year basis? How do we see that? Because I understand you said that we should look at the whole year basis.

But still, we are not able to contemplate because when we built-in into our models, we are not able to understand exactly, how the year will shape up for the company and how is it comparable year-on-year basis…

Ankur Vaid: Sorry, we lost you.

Huseain Bharuchwala: Okay. So, I am just trying to understand. In Q2 of FY '23, you said there were some product returns on the formulation side?

Ankur Vaid: Correct.

Huseain Bharuchwala: So, there must be some lumpiness in this quarter. Should we consider that there was some lumpiness or no, it wasn't in that case?

Ankur Vaid: So, I would say the lumpiness would have been probably in the quarter of the last year because of this one-time effect that came in because of the formulation return. But this year, I think we have seen steady growth in our formulation sales because newer markets have opened up and also our domestic formulation business is growing. So, that's how I would look at this year versus the last year. So, the lumpiness would be more correlated with last year rather than looking at from this year perspective.

Moderator: Thank you. The next question is from the line of Vivek Agarwal from Citigroup. Please go ahead.

Vivek Agarwal: Hi. Thanks for the follow-up question. So, as the company has highlighted, in the recent quarter or in the first half, its oncology and anti-infectives have picked up. So, is it possible for you to share, what is the share of immunosuppressants in API Dominion in this quarter or the first half and what is the share of oncology and anti-infectives? Thank you.

Ankur Vaid: Sorry, we did not get you clearly. Could you repeat that, please?

Vivek Agarwal: So, if you can help us understand the share of revenues from immunosuppressants and oncology and anti-infectives or anti-fungal in the first half of the year?

Lalit Sethi: In the first half of the year, the contribution from immunosuppressants has been to the extent of around 74% to 75% of the total API sales. And oncology has been in the range of around 13%, vis-à-vis 9% in the same period last year.

Vivek Agarwal: Thanks. And is it fair to assume that in oncology, the everolimus that is taking off?

Ankur Vaid: So, yes. Our oncology products such as everolimus, midostaurin and other products which are there in that segment are seeing good traction. So, it is not only just one product, but we have close to seven to eight products in that segment and we are seeing good traction in these molecules.

Vivek Agarwal: Perfect. And in terms of margins, would you like to give any ballpark numbers for fiscal year '24, given that we have already done close to 42% in the first half? Any range, basically, that would end up for the full year of '24?

Ankur Vaid: So, what we discussed earlier was that if, the growth in the EBITDA should be better than the growth that one would see in the top line because of the operational efficiency that gets built in.

Vivek Agarwal: Perfect. Thanks, Ankur. Thank you. This is from my side.

Moderator: Thank you. The next question is from the line of Chintan Sheth from Girik Capital. Please go ahead.

Chintan Sheth: Thank you for the follow-up. One thing on the new product development side, we mentioned a couple of molecules in anti-infective, coupled with oncology and immunosuppressant. Any ballpark, market size which we are looking at in those product categories will be -- how much relative to what we are currently targeting, the addressable market from the existing 20 plus portfolio versus this new five, how much it will add to that? If you can, just a ballpark number would be helpful.

Ankur Vaid: So, the addressable market for the new products is close to around $2.5 billion at the formulation level.

So, while we don't have data on the API level, but if one would consider around 30% to 40%, we're talking somewhere around $750 million is the opportunity that one could look at. However, these products, once they become commercial, it will be a slow and steady process for us to reach to a leadership position on these molecules.

However, we are confident that given our R&D expertise, we have full confidence that, there is a path and we will be able to go through that in order to have that leadership position on these molecules. So, these are sizable markets for these APIs, but it will be some time before we start having a sizable contribution in the overall revenue with respect to these newer products.

Chintan Sheth: Right. And in terms of gross margin, I can see that, for the past two quarters, we have been delivering a kind of almost 80% kind of gross margin right now. So, any risk in terms of input price pressure you are witnessing or any, you mentioned the pricing pressure is not there. It's largely driven by volume growth, but any input price pressure which we are forcing right now, or we can expect this 80% gross margin to continue going forward?

Lalit Sethi: So, , in the fermentation business, the feed which is required to be given to the microbial is agro-based products., These products are easily available and no pricing pressure has been seen in the last couple of years. Therefore, the possibility of stress on margins is very remote. . The reason being, there are about 200- 300 raw material products So, in case of any prices change, on one or two products, may not have any significant impact on the gross margin. So, therefore, we don't see any threat on the gross margin.

Chintan Sheth: And no pressure on the pricing side as well. The pricing remains pretty steady so far right now.

Lalit Sethi: Yes, this has been quite steady.

Chintan Sheth: Great. All the very best and thank you for answering my question.

Moderator: Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference back to the management for the closing remarks. Thank you and over to you.

Ankur Vaid: So, thank you, everyone, for joining on our quarter 2 FY '24 earnings call. We hope we have been able to address all your queries. For any further information, please get in touch with us or SGA, our investor relation advisors. Thank you once again. Have a good evening.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Concord Biotech, we conclude this conference. Thank you all for joining us and you may now disconnect your lines.