## Windlas Biotech Limited



Reg. Off.: 40/1, Mohabewala Industrial Area Dehradun, Uttarakhand 248 110, India Tel.:+91-135-6608000-30, Fax:+91-135-6608199

Corp. Off.: 705-706, Vatika Professional Point, Sector-66, Golf Course Ext. Road, Gurgaon, Haryana 122 001, India Tel.:+91-124-2821030

CIN-L74899UR2001PLC033407

Ref No. WBL/SE/2022-2023

November 14, 2022

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: Q2 FY23 Earnings Conference Call Transcript

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith Q2 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 Company Secretary & Compliance Officer

Encl: as above

## windlas

## "Windlas Biotech Ltd. Q2 FY23 Earnings Conference Call"

November 09, 2022

<u>Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio</u> recordings uploaded on the stock exchange on 09th November 2022 will prevail.



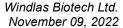


MANAGEMENT: Mr. HITESH WINDLASS – MANAGING DIRECTOR,

WINDLAS BIOTECH LIMITED

Ms. Komal Gupta - Chief Financial Officer,

WINDLAS BIOTECH LIMITED





**Moderator:** 

Ladies and gentlemen, good day and welcome to the Q2 FY23 Earnings Conference Call of Windlas Biotech. 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 '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Hitesh Windlass – Managing Director of 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 a half year ended September 30, 2022. We have uploaded the press release and investor presentation on our website as well as on the exchanges. I hope everyone must have had an opportunity to go through it.

Initially, I would like to discuss key company highlights for Q2 and H1 FY23 followed by financial highlight of the company, which shall be shared by our CFO, Ms. Komal Gupta.

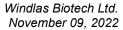
The company reported a top line growth of 15.2% for Q2 of FY23 where H1 FY23 clocked at 11.7%. This was mainly on account of robust growth of 17% in Q2 for CDMO vertical and 47% (to be read as 37%) in Q2 for trade generics vertical. The bottom line grew at an even faster pace registering a growth of 47% both in Q2 and H1 FY23.

The company increased its presence of chronic and sub chronic medicines and complex generic products since these continue to offer a large growth opportunity for both top and bottom line. Due to the cost-plus model in CDMO and higher gross margins of trade generics vertical, the company has been able to demonstrate stable profitability despite a highly variable input cost environment linked to global supply chain volatility.

EBITDA margins expanded by around 70 bps YoY indicating an improvement in margins despite the inflationary and volatile business environment. The company is using its supply chain and operations capability to strengthen its role as a partner to its customers as opposed to just being a vendor. These efforts have ensured that we remain a valued first choice for our various pharmaceutical companies in multiple therapies such as diabetes, cardiology and gastro space.

Our new product launches have enabled our CDMO customers in gaining an early mover advantage in many of their core chronic therapies. We continue to enhance the value proposition by continuing to invest in new product development and enhance just-in-time delivery.

Company's various initiatives for CDMO vertical include:





- Fresh patent expiry launches.
- · Expanding wallet share from current customers.
- Attracting new customers.
- Introducing distinctive product underpinned by top notch R&D and ongoing CAPEX for injectables.

Government thrust and quality will further facilitate consolidation and benefit large players like Windlas Biotech.

Windlas is experiencing excellent growth in the trade generics segment which is being supported by a rapidly expanding distributor network. The trade generics market is still largely underpenetrated and offers significant growth opportunity. The primary external tailwinds for forthcoming growth phase of domestic trade generics vertical are predicted to be rising consumer demand for high-quality generics and government measures that will enhance generic adoption and reliance across India. Branding, channel expansion, new product release and regional expansion are additional internal growth factors.

While the company has been filing numerous dossiers and making sustained efforts in the export trade, this growth is largely fag ended, and we are yet to reap the benefits of most of the work done here. Moreover, with the recent successful completion of SAHPRA and EU GMP audits which have permitted access to the newer and regulated markets. The exports vertical is also primed to flourish.

In addition to these business updates, I would like to inform you that the Board of Directors of Windlas Ltd. have approved a share buyback program under which the company is planning to purchase up to 25 crores of the outstanding shares. There will be no participation from promoters in this buyback program.

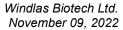
In order to maximize value for our shareholders while also expanding our company and keeping strategic reserves for potential inorganic growth opportunity, we at Windlas Biotech maintained the discipline and prudent capital allocation approach. We are dedicated to making thoughtful capital investments where we believe we can do so.

I will now request Ms. Komal Gupta – our CFO, to discuss the financial performance highlights. Over to you, Komal.

**Komal Gupta:** 

Thank you, Hitesh. Good morning, everyone. The business environment's persistent interruption and geopolitical challenges did not have any major effect on company financial performance, which had remained sound.

During the quarter, the company's competence and operational tenacity were amply demonstrated. The company was able to improve its margin profile with gross margins for Q2 coming in 154 bps higher YoY and corresponding EBITDA margins closing 67 bps higher. For





**Moderator:** 

Ashaye Jain:

Hitesh Windlass:

Q2 FY23, EBITDA margins stood at 12.1% as against 11.4% YoY. PAT for the quarter stood at 12.2 crores as against 8.3 crore, a growth of 47% YoY.

I'll now take you to vertical-wise highlights.

CDMO vertical. Q2 and H1 FY23 revenue for CDMO vertical stood at 106.6 crores and 202.1 crores up 17% and 8.1% YoY respectively. CDMO vertical contributed approximately 80% for Q2 and H1 FY23 to the consolidated revenue.

Trade Generics vertical. Q2 and H1 FY23 revenue for Trade Generics vertical stood at Rs. 23.1 crores and Rs. 44.5 crores up 36.8% and 52.2% YoY respectively. Trade Generics vertical contributed approximately 17% and 18% for Q2 and H1 FY23 respectively to the consolidated revenue.

Exports vertical. Q2 and H1 FY23 revenue for Exports vertical stood at Rs. 2.5 crores and Rs. 4.4 crores down 54.1% and 42.3% YoY respectively. Exports vertical contributed approximately 2% for Q2 and H1 FY23 to the consolidated revenue.

The company has utilized 100 crores, which roughly translate into 65% of 153.1 crores raised during the IPO on various items listed in the prospectus. Additionally, the company has begun utilizing the funds for upcoming injectables CAPEX in terms of ordering machinery and getting to mechanical completion. The business's net cash position is robust, and as previously indicated, the company wants to play a significant role in market consolidation. So, it has a substantial reserve for prospective inorganic growth opportunity.

That's all from our side. We can now begin the Q&A session. Thank you.

Thank you very much. We will now begin the question-and-answer session. The first question

is from the line of Ashaye Jain from Jain Capital. Please go ahead.

So, I have couple of questions. Firstly, in regards to injectables, so it's mentioned that mechanical completion, you could throw some light on the current status and by when can we expect the

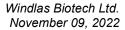
commercial rolling out of products from the injectables facility?

Sure. So, we had originally expected that we would be able to start commercial production in March of '23. You know, that was based on the machines that were expected from China, and

we had to change our vendors during the interim because of a significant delay from Chinese suppliers. So, we now are procuring the new machines from a new vendor, and we will be completing the mechanical completion, which means that the plant is handed over to quality, and media fill will start in March, and that is the period of three to four months from that point

where commercial production can typically start.

**Ashaye Jain:** Secondly, what is the timeline on utilization of proceeds from the IPO?





Hitesh Windlass: So, most of the proceeds that are remaining on the injectable CAPEX front are associated with

these payments only, and we are expecting that we will be spending almost all of that before the

mechanical completion date of March 23.

Moderator: Thank you. The next question is from the line of Viraj Shah from Shah Investment. Please go

ahead.

Viraj Shah: I have a couple of questions. Sir, going forward, do we plan to have more sustained exported

share in the regulatory market?

Hitesh Windlass: So, Viraj ji, as we have mentioned earlier in the regulated market space, we are not pursuing the

US market as of now until the foreseeable future at least. And of course, we have mentioned also that this is because of the margin erosion in that market which had been very significant. And we have also mentioned that our Plant 4 is now EU GMP approved as well as South Africa SAHPRA authority approved. So, these two opportunities we are still pursuing. And so this is where we are going to use our facilities for exports. So, ROW has been our mainstay earlier, and now we are adding those markets, PICS markets, which are acceptable because of our EU-GMP

inspection approvals.

**Viraj Shah:** And sir, what is the steady gross margin that we are targeting?

Komal Gupta: So, the gross margin level that we are currently at is if you look at H1 versus H1, we are already

1% higher. So, 36% is the range which we are currently at. This might slightly increase further with trade generics vertical contributing more to the overall revenue from operation. So, 35% to

37% sometimes slight higher is what we expect to continue.

Moderator: Thank you. The next question is from the line of Prachi Sharma from ACE Investor. Please go

ahead.

**Prachi Sharma:** I just have a couple of questions, firstly being can you provide the revenue breakup of complex

generics versus conventional products for H1?

**Komal Gupta:** So, for H1 we have complex generics for about 77.5% for H1, and Q2 it is around 80%.

Prachi Sharma: Okay. And conventional products?

**Komal Gupta:** So, rest is conventional. 20% for Q2.

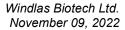
Prachi Sharma: My second question is, what is the top 10 clients' concentration as per H1? Also, what is the

number of our top customers?

Komal Gupta: So, I can give you top 10 customers' contribution percent sharing the names. So, we might not

be able to do that. For H1, the top 10 customers' contributions is 45% for H1, and for Q2 it's

even lesser, 43%.





**Moderator:** 

Thank you. The next question is from the line of Gaurav Sood from Karam Capital. Please go ahead.

**Gaurav Sood:** 

So, I had a couple of questions. One is around the performance of the exports on a year-on-year basis, the exports shrunk on from a lower base. So, what's exactly happening on the exports front? Also, in your notes you have highlighted that exports, there is a significant opportunity lies ahead. So, what is creating that opportunity and how do you expect the exports to pan out over the next couple of years?

**Hitesh Windlass:** 

So, Gauravji, we sort of our guidance on the long-term guidance has been that at the time of listing that we will roughly double the CDMO business, triple the Trade Generics business, and quadruple the exports business in five years.

When we look at the Exports vertical, although we are on a very small base, but there have been some small disruptions like, for example, our supplies to Sri Lanka, we ended up stopping because of the currency crisis and payment crisis in that country. Our customers in Myanmar were struggling to reduce some of their import commissions because of foreign exchange concerns that they have.

So, we wanted to be conservative and we ended up saying that, you know, better to not supply and get your money stuck. So, there will be some of these, you know, small variations, but overall, the market from Exports side that we are targeting are all those markets which have very, very low domestic production.

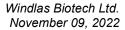
So, these are Southeast Asia, the Africa, CIS, and with EU GMP approval, we are also looking to and see if we can get into the Middle East market. And these are very, very rich markets in terms of the kind of products they are looking for, going forward the growth rates over here, and although some of them have different incubation period. So, anywhere from one-and-a-half to two years minimum the country incubation periods are there. And we are looking at various ways to accelerate and tap these opportunities with our product selection and market selection decisions.

Gaurav Sood:

So, Hiteshji, then would you imply that the shrinkage in exports is a one-off in this quarter or will the shrinkage continue because of the crisis that was there in Sri Lanka or Myanmar or maybe the other countries that still continues to some extent? So, when do you expect that the exports would start growing again for you?

**Hitesh Windlass:** 

So, Gauravji, I think the Exports vertical we should look at a five-year point, because we are at a such a small base right now that quarter-on-quarter or even year-on-year results will not be there unless we do some kind of an acquisition which can add something. And so if we take that, keep that aside for a minute, then my sense is that, you know, we spoke about growing this business to 3x of what profits original size at 25 crores. So, 75 crores is what we want to target by 2025 end, and that's what we are still running for.





Gauray Sood: And the other point was around inorganic acquisition. So, any progress on that front, any

candidates that you are seeking out?

Hitesh Windlass: Yes, we have been actively evaluating. In this quarter, actually, we, in fact, conducted legal,

financial and quality diligence on one asset, and we found some adverse things that, we decided not to pursue that. In fact, some of those diligence costs are also included in our this quarter's

P&L. We are continuing to look at several opportunities. And hopefully, once we are at a stage where we can confidently go ahead on something, I will be able to share.

Gaurav Sood: And the final question is around Trade Generics. How is that business scaling up? And what are

the current monthly run rate in that business right now?

Hitesh Windlass: That business is scaling up very, very nicely. As you see, may be in Q1 of this year, we had

almost greater than 70% kind of growth YoY, and this time we are talking about 47%. (To be read as 37%) So, definitely, very significant growth is there. And this is a very, very large opportunity, in fact, for India. If you look at, you know, the landscape, there are only about 400

to 500 odd towns and cities which have population of more than 1 lakh people in India, and then there are villages and Kasabas which are more than 6.5 lakh, and almost 70% of India is residing

there. And these Kasabas and villages don't even have enough doctors.

So, the traditional model of branded generics to employ medical reps and send them to meet all these doctors does not work in this very big hinterland. And this is where Trade Generics as a

model has existed, and now it's taking up very, very well. And our approach is also very unique.

We are looking at it as a triple A approach. Authentic products, affordable prices, and accessible

medicines.

So, we are growing the, we are offering the same quality medicines that we are offering to our

customers in CDMO. We are offering affordable rate, and we are significantly expanding our distribution network to get our products into the hinterland. And I believe this is also seeing

overall market growth as well for all the players. And at Windlass, definitely we are very excited

about this space.

Gaurav Sood: So, sir, then on the Trade Generics, typically, in terms of the retail price, what is the difference

on a like-to-like basis in terms of prices with the branded generics that are out there?

Hitesh Windlass: So, this difference varies very much across different products and different categories. We have

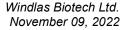
almost 200 different products that we have in the Trade Generics segment.

Gaurav Sood: So, just a range of discounts to the branded generics like the lowest price branded generics?

Hitesh Windlass: Typically, when a retailer is selling Trade Generics product, even though the MRP maybe even

equivalent, in order to substitute, he is giving a 15 to 20% discount on MRP to the consumer or to the patient. So, the way the economics lineup, you can assume roughly about 20% savings for

the consumer, and of course, then that's how the value chain adds up.





Gauray Sood: And do these Trade Generics, are they some kind of a brand is built on top or it's just the salt

that is highlighted in this packaging?

Hitesh Windlass: No. There is definitely a brand. We are, in fact, even inside the Trade Generics product and the

branded generic product, you cannot differentiate them. Each one of these has the same kind of labeling, branding and everything. The only difference is that in a branded generics products, it will be marketed by medical reps to physicians while Trade Generics is being sold through the

channel through substitution.

What we are doing at Windlas is actually unique. We are actually doing an umbrella branding

approach where we are branding Windlas Generics in this space and trying to create a

recognition for our triple A approach.

Gaurav Sood: So, when you say Windlas, so the mother brand is going to be Windlas Generics across these

bouquet of medicines?

Hitesh Windlass: That's right.

Gauray Sood: And largely, the difference between this and the branded generics is the way the distribution

happens. Otherwise, in terms of packaging, there is no question in that, sir.

**Hitesh Windlass:** Yes. There is only the distribution that is different. So, obviously, the margin for the channel are

different. And there is obviously the approach is that in Trade Generics you are not incurring the cost of employing medical reps and large sales forces. Some of the largest companies have more

than 12,000 reps today. So, none of that is the expenditure.

Gauray Sood: And the other aspect around Trade Generics is that these will be kind of OTC products. They

won't require a doctor's prescription to be sold.

Hitesh Windlass: No, so these are, see, when we are, of course, selling to our stockists and the stockists are then

So, patients actually are catered to by the pharmacist himself, and a lot of the products that are sold in this vertical are also not highly sophisticated molecules. They are more the primary care kind of products. But these are essentially either a doctor has written or a dispensing doctor

selling it to retailers, a lot of the villages and kasabas where these are sold, there are no doctors.

himself is buying in bulk from the retailer and then dispensing it to the patient himself. So, he is also, you know, saving on some margins by buying in bulk from the retailer and then dispensing,

or it is the substitution by the retailer who is doing it on his own account.

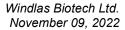
Gaurav Sood: And the final question is you sell the same set of drugs under your CDMO operation. How did

the customers take your ability to build this Trade Generics? Is there any conflict of interest that

they see? Or how do you handle this question from their side?

Hitesh Windlass: No, so most of our CDMO business is in the branded generics space, although some Trade

Generics customers are also beginning to buy from us in CDMO. But this question usually





doesn't come up because even whether it's branded generics or Trade Generics, each molecule today has more than 50, 100 different companies marketing it. So, it's a very hyper competitive market in some sense, and each brand is not really, I mean, very little cannibalization risk that customers perceive from that perspective.

**Gaurav Sood:** 

So, in branded generics, sir, the brand is much more important than any additional products being sent into the market.

Hitesh Windlass:

Yes. Their doctors, their association with the doctors is what gets their revenues increased. So, for example, we manufacture the same product for, let's say, five or seven different branded generics companies also, and there is no issue. And similarly, for us, when we are manufacturing a certain molecule, there are, like, for example, Pantoprazole, Domperidone, there are more than 250 brands in the market. So, it hardly matters how many of them are being manufactured there. So, I mean, customers don't see that as a threat at all. And if you look at all CDMO companies, whether it's Windlas or other top five players, all of them have their own Trade Generics verticals as well.

**Gauray Sood:** 

So, if they have Trade Generics verticals also in case of Windlas, do they have similar kind of revenue share from Trade Generics or Windlas stays ahead of them at least for the top five players?

**Hitesh Windlass:** 

I would believe that we will be a significant player this year. Since it's the new vertical for us, we launched it about five years ago, and so we will be a significant player for sure.

**Moderator:** 

Thank you. The next question is from the line of Miten Lathia from Fractal Capital Investments. Please go ahead.

Miten Lathia:

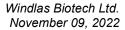
Could you help us with the head count that you would have in the export vertical both on the product and marketing side now versus what we would have had a year back?

**Hitesh Windlass:** 

So, you know, in our Exports vertical, we have about close to about seven, eight people with a mix of background in business development, regulatory dossier preparation, and some of the dossier preparation work we also outsource to regulatory companies. We are not actively sort of marketing in those countries and traveling. Unless you have the registrations, you don't want to add the, you know, sort of marketing costs until the registrations are there. So, that's the size of our business development team and Export vertical team. A lot of it is sold to distributors and like in some cases in Vietnam and in Myanmar, it is sold to a marketing partner. So, the marketing partner is sort of thereafter investing in building the sales in that locality.

Miten Lathia:

The export opportunities just being, you know, just scratching the surface in terms of the export opportunities. So, just from a capital allocation perspective, would it not make more sense to, you know, invest more aggressively on that front? Of course, your buyback is very much appreciated, but I just wanted to sort of get your thoughts around why would we not be more aggressive on that front?





**Hitesh Windlass:** 

So, Mitenji, we definitely are looking for opportunities to acquire market authorizations and to acquire, you know, because the whole story for export starts post you having a market authorization for a product. And it takes from filing to approval, it is a 1.5 to 2 years, you know, period which cannot be cut short. So, you know, we are looking at avenues to do this in a different manner rather than sort of, you know, prepare dossiers and do it all organically. We are evaluating opportunities like that, for sure.

**Moderator:** 

Thank you. The next question is from the line of Anuv Shah from Srinath Securities. Please go ahead.

Anu Shah:

So, wanted to understand we have observed a lot of patents that are expiring and have expired in 2022. Are any of those products in our pipeline? Or have we received any new DCGI approvals?

**Hitesh Windlass:** 

Yes. Definitely, we are constantly receiving DCGI approvals every quarter and launching those products. In this quarter, in Q2, we launched a combination of Sitagliptin with a sustained release Metformin. Earlier this was not available in their market, and we are one of the first few people who have brought this to market. The earlier combinations were Sitagliptin plus Metformin plain and not sustained release. So, these are some products, you know, sort of enhancements that we are bringing.

In terms of upcoming patent expiries, I think one significant one that everybody is looking at in the industry is a Valsartan Sacubitril, which is coming off in January. And I think then thereafter several molecules --

**Komal Gupta:** 

In August we have Linagliptin.

**Hitesh Windlass:** 

Right. Linagliptin as well. So, some of these are there which are in our core therapeutic areas which we are focused on.

Anu Shah:

Sir, wanted to understand what is the status of our pilot API facility? I mean, do we have any plans to produce API in-house now?

**Hitesh Windlass:** 

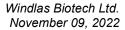
I'm sorry. Plans to reduce what?

Anu Shah:

Plans to produce API in-house?

Hitesh Windlass:

I see. We are producing API in-house because we have a pilot plant which can do commercial production in our plant one, and some of the new launches, strategically, we have done from, you know, sourcing manufacturing that API within our own this thing. And we also have a API process development lab, which we have been running for almost seven, eight years where we have developed, you know, efficient technologies, which we are going to scale outside. But so far we have looked at API as a, you know, more of a strategic place where if those patent expiry products are not there and small volume production is hard to get from outside, we are doing it





in-house. We are not looking to as such as of now, you know, specifically jump into the API business.

Anu Shah: And so what is our current capacity utilization?

**Komal Gupta:** So, our capacity utilization as of now is about 44% for Q2 of FY23.

Anu Shah: So, by when do we expect to reach 60, 65%?

Hitesh Windlass: So, with this current capacity, we should be able to do almost 600 crores of revenue. And anytime

that we hit about 50, 55%, we will start creating capacity for, you know, another unit. The idea is that in our business with a multi-product oral solid you know, manufacturing, the global maximum that people have reached is not more than 65%. So, very rarely you can go above it, but then on an average annual basis, the utilization number is around 65%. So, you have to look at it from that perspective. The maximum is 65%, and we don't want to reach the maximum. In CDMO, especially, we have to create capacities in advance. Right now we have enough to cater to take us to almost about 600 crores. And as we see this number inching up, then we will, you

know, incrementally create more capacity to receive the growth.

**Moderator:** Thank you. The next question is from the line of Priyanka Shah from NM Securities. Please go

ahead.

Priyanka Shah: Sir, I have a couple of questions. Has the input cost stabilized? Or do we see further softening,

if you could throw some light on the raw material scenario?

Hitesh Windlass: Sure. Yes, generally, we have seen input costs stabilizing. Definitely from Q1 to Q2, there is a

stabilization that we are experiencing, and in some, you know, at least what we can say is the volatility is coming down. Predictability may still not be there, but volatility is definitely coming

down.

Priyanka Shah: And what do our current receivable, payables and inventory dates stand at, like our inventory

have significantly inched up in last six months? Are we seeing any issues in inventory

management?

**Komal Gupta:** So, inventory, there is increase in inventory days. You are right. This is because we have started

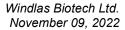
maintaining safety stock levels for critical raw material and packing material for ensuring higher sales, the growth that we have been able to deliver in Q2 of FY23. And we hope to continue the

thing. It has enabled us that. Number one.

Number two, as you see for Trade Generics, the sales have been improving. So, we have to

maintain higher CFA stock levels. So, these are basically the reasons for increase in inventory

days.





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

ahead.

Nitin Agarwal: Hitesh, on the CDMO business scale up, which has happened in this quarter, can you just sort

of highlight any specific triggers? Because, you know, in the past, we will be talking about volume growth in the industry being sluggish, and that continues to be the case still, I guess. You know, volume growth in the broader IPM has not quite picked up. So, what has drove the

traction for us in this quarter? And how do you see it now going forward? I mean, it is 105-110

new base for the business.

Hitesh Windlass: So, Nitin, I think, so that's a very good question. You are very right that on an overall market

level, the volume growth has not been so much. The Q2 CDMO growth is somewhat led by new product launches. Actually, we launched some products in neurology segment which have picked up nicely, and we were able to win some new accounts. And so that has given a boost. And I think that, you know, when the volume growth is not very high, our customers also look for new innovative ideas. And that is where, you know, we are trying to sort of differentiate ourselves and say and bring new products with DCGI approvals with bio equivalent studies and

sometimes even clinical trial studies. You know, just a week back, we got a very important product approved. So, these are the ways in which, you know, we become a valuable partner to

our customers, and that's how we are looking to drive.

Now, of course, these are sporadic. So, you can't really predict the approval timeline and or the volume of a certain product that you are working on. But the products have been chosen in such a way that they should have, you know, give a unique edge to our customers when they go in front of the doctors and, you know, showcase themselves. So, that's how some of this growth

has come, and we want to continue that for sure.

Nitin Agarwal: And on that point, so you mentioned that, you know, you just launched Simva plus Metformin,

sustain release. And so, on that were we the first ones to get an approval from DCGI to launch this product? And how many customers did you license this product to, partner otherwise on

this?

Hitesh Windlass: So, Nitin, I think we were the second one. We were not the first one. And you know, I think we

have launched it with almost six, seven customers already.

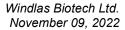
Nitin Agarwal: And if you have any just from an understanding perspective, what kind of market share your

customers would have got of this molecule?

**Hitesh Windlass:** Very difficult to say. No idea.

Nitin Agarwal: Now, so, again, just touching my earlier point, now does this 100 crores, 105 crore, does it

become the new base for us to grow on to from your own for the CDMO business?





Hitesh Windlass: I think, Nitin, definitely, I mean, we have to catch up to some lost time, right, from last year.

But, I mean, this is something that we are definitely shooting for. Now whether it becomes a

base or not, I guess only time will tell.

Nitin Agarwal: And secondly, on a generic business, you know, from our growth perspective, what is a primary

driver here? Portfolio extension or geographic extension or I mean, how are we looking at

growth driving this part of the business?

**Hitesh Windlass:** In Trade Generics?

Nitin Agarwal: Yes.

Hitesh Windlass: So, there are actually three expansion levers over here. One is geography. So, we have been

more focused in the, you know, northern states. This is following the population density and disease density. We are now expanding to, you know, states outside and those expansion results

are beginning to add up.

There is the second thing is on portfolio. We are also, you know, increasing the number of SKUs. Some SKUs also get trimmed if we don't see a good response, but we are also increasing that.

So, that's the second lever.

And the third, which is the most important one is the umbrella branding activities where we are actually investing in, you know, exposing Windlas Generics as a viable alternative where affordable, authentic and accessible medicines can be chosen by our customers. So, this is where,

you know, local level brand building activity, you know, some engaging the channel as well as,

you know, very, very small level, local level things we are doing.

So, all these things are sort of adding towards building this momentum. And obviously, there is overall market growth also. I mean, if you see Trade Generic companies today have, you know,

far bigger growth than the overall IPM.

Nitin Agarwal: Lastly on you talked about the M&A plans that you had. Again, just given the volume growth

challenges in the industry, I presume other CDMO players also would have suffered along with that, would have had pressure, revenue growth pressure in the last few quarters. So, I mean, how

is the market looking like in terms of potential opportunities, you know, for buyouts?

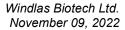
Hitesh Windlass: So, we have been mostly looking at opportunities which are able to add a, you know, unique

dimension. So, one of the assets that we looked at was CDMO for international markets. And you know, that's the one that we decided not to pursue. And you know, I already mentioned we

are looking at, you know, market authorizations and other opportunities as well.

In the domestic front for CDMO, we were scouting for, you know, so in our own injectable, we are going after some of the sophisticated injectable dosage forms. And we were scouting for

injectables in the domestic market as well in CDMO. We looked at some opportunities but were





not very interested the kind of price that was being demanded was just extremely high. So, we continue to scout and continue to look.

Moderator: Thank you. The next question is from the line of Dipti Kothari from Kothari Securities. Please

go ahead.

**Dipti Kothari:** So, my first question was what is the revenue and margin guidance for the full year? And are we

on track to achieve our 2x in CDMO, 3x in Trade Generics, and 4x in export number. In the

CDMO business, hat is the kind of revenue we are targeting in H2 FY23?

Hitesh Windlass: So, ma'am, we are only giving sort of a long-term guidance. We are not really giving a quarter

or annual guidance. I want to say that, you know, with the initiatives, the growth initiatives that I have outlined during the introduction remark also for this earnings call, they are all those levers which will help us achieve, you know, our goal of this growth. So, you know, I mentioned new product launches. I mentioned a greater supply chain, you know, flexibility and some of the things that we are doing on inventory side. I also mentioned, you know, engaging customers and increasing wallet share from them, as well as growing new customers. So, you have also seen that top 10 contribution has, you know, come down from its earlier levels. So, those are all very healthy signs of growth in CDMO, and we want to continue to keep walking on that path. And

the five year guidance we believe we still have a very good shot at achieving that.

**Dipti Kothari:** And sir, what is the CAPEX guidance for the full year?

Komal Gupta: So, for CAPEX, we have just acquired land for business purposes in October, and other than that

there is no major CAPEX other than injectables that has to be spent from IPO money. The

maintenance CAPEX of 10 to 15 crores stays for the year as is.

**Dipti Kothari:** And what is the rationale behind the buyback just one year after raising the money through an

IPO?

Komal Gupta: So, a buyback is a strategic decision for us. We have taken that on the basis of assimilation of

operational cash needs in the medium term and for returning surplus funds to the members in an effective and efficient manner. So, for members of the company, we want to give them an option either to sell their shares and receive cash or not to sell and get a resultant increase in percentage

shareholding in the company post the buyback without additional investment.

Moderator: Thank you. The next question is from the line of VP Rajesh from Banyan Capital Advisors.

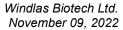
Please go ahead.

VP Rajesh: Most of my questions have been answered, but just one on the exports side. So, how much are

we selling to the regulated markets versus unregulated markets?

Hitesh Windlass: Rajeshji, currently to reg market, we don't have any sales. It will start with the commercialization

to South Africa which we are expecting in Q4. But you know, that will be the beginning of it,





and our plant approval for Europe also came last year, and as I mentioned, the incubation period for these markets and getting into those markets and doing something is rather longish. So, as of now, we don't have any revenue in reg markets.

VP Rajesh: But you expect the revenue starting coming in next year or the year after that. How should one

think about it from the regulatory markets?

Hitesh Windlass: As I mentioned, we expect the revenues from South Africa in Q4 to begin. One product we have

already gotten approved and that should commercialize. And the other one is just closely following that. And then, of course, we have been approached by some customers to do CDMO for their European demand, and those are again longer-term project, because it involved the taking batches, execute batches, and freight transfers and regulatory approvals. So, I would say that from an export perspective, you should look at the full year kind of a horizon and not anything sooner because all of these will be sort of needles in the fire until it finally emerges and

comes from that.

VP Rajesh: And I probably missed it. When is the injectable plant going into production? What is the

timeframe for that?

Hitesh Windlass: So, we are anticipating mechanical completion by the end of March, and then there is a media

fill and qualification period. Typically that takes at the minimum three months. So, we are looking at that. Hopefully, we should be able to be in production by the end of Q1 or middle of

Q2 of financial year FY24.

**Moderator:** Thank you. The next question is from the line of Neelam Punjabi from Perpetuity Ventures.

Please go ahead.

Neelam Punjabi: Could you give a therapeutic split of your CDMO business as well as Trade Generics business?

**Hitesh Windlass:** So, we have not given a therapeutic business split, but a lot of our business is focused in therapies

like diabetes, cardiovascular, neuro psychiatry.

Komal Gupta: And gastro.

Hitesh Windlass: And gastro. Yes. These four are main therapeutic areas. We have not really given out the split

for competitive reasons. In terms of Trade Generics, the market itself for Trade Generics is more oriented toward primary care, which is in pain, cough, respiratory issues, and antibiotics and

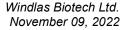
gastroenterology kind of therapeutics.

**Neelam Punjabi:** This is helpful. Also, could you please highlight how much is the total investment that we are

looking for our injectable facility?

Komal Gupta: In total, we are looking at 50 to 52 crores of investments in injectable, out of which about 43.5

crores will be from IPO proceeds and rest from our own operational accruals





Neelam Punjabi:

And you said that some of our API requirement is procured in-house. So, is it possible for you to share a percentage, how much percentage of API requirement is procured from safe manufacturing?

**Hitesh Windlass:** 

So, let me clarify. What I meant was that we have a commercial and pilot plant facility for strategic API, those that are patent expiry or not available in India in time to do the development and launch on day zero. And also, those are where we have created a highly efficient API process chemistry to utilize the lower pricing and pass on the benefits to our customers also. So, this is a more strategic thing. I would believe that the own API contribution is very, very small to our overall API purchases. I would say it's less than 3% or something. But this is a guess. We don't even track it because we always look at this pilot facility as a strategic tool rather than a tool to go backward integration.

Neelam Punjabi:

Understood. And you've mentioned that from Q4 onwards you are looking to commercialize and sell products in South Africa. So, are we looking to sell it by a partner or sell it directly or to distributors? How is the modeling?

**Hitesh Windlass:** 

So, in this case, ma'am, as previously we have shared, our partner in South Africa for these products is Cipla. So, we are going to be supplying Cipla and Cipla will be selling.

**Moderator:** 

Thank you. The next question is from the line is Raghav from STZ Associates. Please go ahead.

Raghav:

The first question was on volume growth in the overall market. As you stated, the majority of our growth in the CDMO vertical is driven by new products or addition. However, it would be good to know the 8% year-on-year growth, is that driven majorly by introduction of new product or there will be some volume growth happening as well?

**Hitesh Windlass:** 

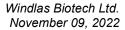
So, definitely, there is a combination of volume and new product launches, and also price changes that are impacting this. So, there will be a positive impact in terms of prices. In terms of growth, there will be a positive impact on volume, and there will be a positive impact on mix. So, those products that are a higher price may have had a higher proportion just because of them being new launches. So, I would believe that all three of them would be having a role. We have not quantified, and also we are not disclosing the quantification. But I would believe that there will be a positive impact on all three of those.

Raghav:

The second question was on the injectable facility. You expected to start production around Q2 FY24. How is all planned there to go to the market? I think the majority of it will be through existing customers, but again, it would be great to know as to how those discussions end up shaping.

**Hitesh Windlass:** 

Sure. So, we are pursuing. First of all, what we are doing in the injectable space is that we have also added injectable SKU in our Trade Generics vertical. So, that allows us to build that business, and then once the plant is ready, bring some part of that volume or some selected





products in-house to immediately occupy some volume from the facility and give us ability to commercialize, generate data and essentially commercialize them.

The second area is that we are also evaluating, you know, building the, this, we are also in discussions with our CDMO partners regarding the various dosage forms that we are putting. Obviously, in CDMO case, you have to sort of create the capacity, have it ready, get the quality inspection done by the partner, and get that approval before you are able to supply. So, those, you know, there will be a period of this evaluation and approvals once have the qualification is done for the CDMO part to kick in. But we will begin commercialization for our own products which we will supply in the Trade Generics institutional market.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference

over to Mr. Hitesh Windlass for closing comments.

Hitesh Windlass: Thank you very much, everyone, for your queries. And we remain committed to delivering on

our long-term vision and bringing good results for us all. Thank you once again. Bye.

Komal Gupta: Thank you.

Moderator: Thank you. On behalf Windlas Biotech Limited, that concludes this conference. Thank you for

joining us, and you may now disconnect your lines.