Windlas Biotech Limited



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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: Q1 FY24 Earnings Conference Call Transcript

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith Q1 FY24 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 Biotech Limited Q1 FY '24 Earnings Conference Call" August 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 August 2023 will prevail.





MANAGEMENT: Mr. HITESH WINDLASS – MANAGING DIRECTOR

Ms. Komal Gupta – Chief Executive Officer and

CHIEF FINANCIAL OFFICER



Moderator:

Ladies and gentlemen, good day and welcome to the Windlas Biotech Limited Q1 FY24 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 a touchtone phone. Please note that this conference is being recorded.

Today on the call we have Mr. Hitesh Windlass, Managing Director, Ms. Komal Gupta, CEO and CFO. I now hand the conference over to Mr. Hitesh Windlass. 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 the quarter ended June 30, 2023. We have uploaded the press release and investor presentation on our website as well as on the exchanges. I hope that everyone must have gotten an opportunity to go through it. Initially, I would like to discuss the outlook and way forward for Windlas Biotech, followed by financial highlights for Q1 FY24 of the company, which will be shared by our CEO and CFO, Ms. Komal Gupta.

During the first quarter of fiscal 2024, the Indian pharma market witnessed a sales growth of 10.7% compared to the same period last year. However, this growth was primarily due to significant increase in realization, which rose by 16%, while the volume recorded a decline of 13.9% as per industry reports. Despite the volumes getting impacted at an industry level, the company's revenue increased with a Y-o-Y growth rate of almost 21%. This positive performance can be attributed to the sustained growth observed across all business verticals.

The strategic initiatives undertaken by the company to expand customer base, diversify product portfolio, have yielded favorable outcomes, evident in the current upswing observed in our generic formulation, contract development and manufacturing organization, vertical (CDMO vertical). We also saw strong growth in our trade generics and institutional business on account of expansion of our product portfolio and increase in institutional business. There may be some deviations in the quarter-on-quarter growth as they are subject to seasonal variability. Nevertheless, we possess a strong conviction that upward trajectory of growth on annual basis will persist. We are consistently engaged in development of a robust pipeline of products and exploring various potential avenues for growth.

In line with our essential goal of enhancing shareholder value, we have successfully concluded our share buyback initiative. In the first quarter of fiscal FY 24, the EPS of the company reached INR5.79, exhibiting a significant rise from the EPS of INR4.50 recorded in corresponding period of FY23. This represents a substantial year on year growth rate of 29%. Furthermore, we have achieved creditable success in generating robust operating cash flows, paid dividends to our valued shareholders, and maintain a strong liquidity position to explore any potential inorganic



growth opportunities. We are on track to achieve mechanical completion of our injectable facility by end of Q2 of this fiscal year.

We have an optimistic outlook on the overall Indian pharma sector. The company is currently observing several positive indicators across all its business verticals. Based on companies distinctive value proposition and substantial customer engagement, the company is strategically positioned to effectively pursue its long-term objectives in a sustainable manner.

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

Komal Gupta:

Thank you, Hitesh. Good morning, everyone. The company continued the growth trajectory of last quarter in terms of both operational and financial performance. The company achieved consecutive record-breaking quarterly revenue figures subsequent to its IPO. The company has experienced robust growth across all verticals, leading to 21% Y-o-Y growth in its revenue.

We remain committed to our company's multifaceted Generic Formulations CDMO strategic objectives. We continue to stay focused on de-risking our client concentration by expanding customer base and increasing our market share through the introduction of new products. We plan to continue to enhance our financial performance and target long term growth.

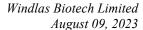
In domestic trade generic and institutional vertical, we remain dedicated to deliver Accessible, Affordable and Authentic medication to undeserved regions of India. Our focus includes launching new products and increasing institutional sales and strong distribution network. The growth of the generic sector in India will be driven by government policies that promote generic acceptance and dependence.

Exports vertical growth include expansion into semi-regulated markets. However, the growth in export markets is fag ended generally as it comes after a certain gestation period.

Since quarterly growth rates are subject to seasonal variation, it is possible that there will be some variances from one quarter to the next. Nonetheless, we continue to make and drive business decisions with an optimistic view on growth momentum.

In Q1 of FY24, we have successfully completed the buyback initiative, amounting to a sum of INR25 crores. The EPS experienced a growth of 29% Y-o-Y, that is, from INR4.50 in Q1 of FY23 to INR5.79 in Q1 FY24. Just like the previous fiscal of FY22 where company paid 20% of consolidated profits as dividends, the company intends to continue to adhere to this policy going forward. Our overarching goal remains of generating long term value for our shareholders. In FY '23, the entirety of IPO proceeds amounting to INR165 crores has effectively been utilized by the company. Company maintained a healthy liquidity position of INR138 crores as on 31, March, 2023.

I'll now take you to vertical wise highlights. For CDMO, for the quarter Q1 FY '24, revenue stood at INR110.2 crores, up 14% Y-o-Y. CDMO vertical contributed approximately 76% for Q1 FY '24, respectively to the consolidated revenue.





Moderator:

Trade Generics and Institutional for Q1 FY '24, revenue for this vertical stood at INR30.8 crores, up 44% Y-o-Y. Trade Generics and Institutional vertical contributed approximately 21% for Q1 FY '24 to consolidated revenue.

Exports. Exports vertical Q1 FY '24 revenue stood at INR3.8 crores, up by 94% Y-o-Y. Export verticals contributed approximately 3% for Q1 FY '24 to consolidated revenue.

To summarize the quarterly results, Q1 FY '24 revenue at INR145 crores reflected a 21% Y-o-Y increase. EBITDA metric experienced accelerated growth amounting to INR17 crores, which is an increase of 24% Y-o-Y. The profit after tax amounted to INR12 crores, which reflects a Y-o-Y increase of 23%.

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. Our first question

is from the line of Aditya Khemka from InCred PMS. Please go ahead.

Aditya Khemka: Yes, hi. Thanks for the opportunity. Hi, Komal and Hitesh Ji. That's a question on how many

facilities do we have for generic CDMO and are they all WHO compliant, WHO GMP

compliant?

Hitesh Windlass: Good morning, Ashish Ji. We have four facilities and all of our facilities are WHO GMP

compliant. And one of the facility is also having European GMP.

Komal Gupta: And all four cater to all three business verticals.

Hitesh Windlass: Yes, so all four, we are doing exports, CDMO, as well as our own Trade Generic production.

Aditya Khemka: Got it, that's helpful. Secondly, in the three verticals that you divide your revenues in, so, Generic

CDMO, Export and then Trade Generic, I think EBITDA level, which of these would be your

most profitable business?

Komal Gupta: In terms of profitability, Ashish Ji, it's difficult to bifurcate because, as I just mentioned, all the

facilities cater to all three business verticals. We track them up to material margin level. The material margin is highest in exports division. Trade Generic, a bit lower than that. And CDMO is around the average of the company, being the highest percent in the overall revenue of the company. So like for CDMO, the material margins are the company level margins - 1% here and

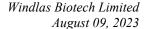
there. For Trade Generics, the material margin is 5% to 6% higher than CDMO. And for exports,

further 4% to 5% higher.

Aditya Khemka: Understood. That's helpful, Komal. Just last question on the capex front, so where do we lie

today in terms of our capacity utilization and what is the foreseeable capex? I see in your presentation you're talking about injectable foray and getting into injectable manufacturing. So could you talk us through, what your expansion plans are, what the current capacity utilization

is, and what the future capex will look like?





Komal Gupta: So currently our capacity utilization is around 50% in Q1. At this revenue level, we are at around

50% capacity utilization. As we have mentioned in the earlier calls, 60% to 65% is the peak capacity utilization for a CDMO globally as it is looked at. So as with the current facilities, we can do a revenue of up to around INR600 crores. Beyond that, if we start having an average monthly revenue of say, INR50 crores, we are going to need another facility. That is about the

OSB business.

About injectables, we have already invested and by September we expect the mechanical completion. So we are on track to what we have said in the earlier call. And the commercialization is expected somewhere in Q4 of FY '24. So we should see revenues pouring

in FY '25 for injectables vertical.

Aditya Khemka: Got it. I have just one more question. So I saw in your presentation, you have mentioned the Jan

Aushadhi scheme, and your trade-generic business is trade-generic-plus institutional. So is the

institutional part here supplied to the government for Jan Aushadhi, is that how I should read?

Hitesh Windlass: Yes, so Jan Aushadhi is one of the institutions that we are supplying to, but definitely more are

there and our institutional team has won contracts from various army institutions, large hospitals, CDHS schemes, and we are continuously expanding the number of institutions as well as the

number of products over there also.

Aditya Khemka: So, Hitesh, can you divide your current INR31 crores revenue in this quarter from Trade Generic

and institutional, in between how much is trade-generic and how much is institutional from that

INR31 crores?

Hitesh Windlass: So we are not providing that breakup.

Komal Gupta: And that breakup obviously, the percentage keeps on moving. Because the annual contract,

institutional portion is as per their demand completely. We cannot drive that really.

Aditya Khemka: Obviously, Yes. And that makes sense. Okay, that's it for me. if I have any further questions, I'll

get back in the queue. Thank you and all the best.

Hitesh Windlass: Thank you.

Komal Gupta: Thank you.

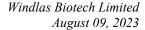
Moderator: Thank you. Our next question is from the line of Neelam Punjabi from Perpetuity Ventures LLP.

Please go ahead.

Neelam Punjabi: Thanks for taking my question and congratulations for some good set of numbers. My first

question is on the CDMO vertical. So we've seen a healthy 15% Y-o-Y growth. Could you please help us understand what were the key drivers for the same? And for the full year of FY '24, are

we expected to grow at similar levels?





Komal Gupta:

So Neelam, you are right, we have delivered two back-to-back record quarters. And we are very excited and positive about the future growth in all three verticals of the company. Having said that, we aren't really giving percentage guidance for the year or quarter wise. The first part of your question, what has driven this growth? I think, we have all the right things in place, which we have been working long term. So introduction of new customers for which, as we have mentioned earlier, we were working on mining of the new customer introduction. We have been able to do that introduction of new products, increasing the wallet size for our existing customers, reducing the customer concentration, which we have been doing consistently. So we have been focusing on not just the immediate growth, but the long term growth. And we believe that when you keep doing good things consistently, good numbers are given. The delay is possible, but growth is inevitable.

Neelam Punjabi:

Got it, that is helpful. When you talk about new products introductions, could you please highlight a bit around your product pipeline? Are there any new formulation combinations that can be material for us? And if you can highlight a few of them, any products that are going off patent?

Hitesh Windlass:

So Neelam, we don't want to go product specific since some of the pipeline aspects are confidential to the competitive strategy of the company as well. However, we are remaining true to our focus areas, which are the cardio, diabetic, therapeutic areas, which are seeing the maximum momentum in terms of need as well as patients' growth. And we are also sticking to our complex dosage areas, where we want to continue to serve our customers as far as the CDMO space is concerned. So chronic, sub-chronic, and complex therapeutic areas is our sustained focus.

Neelam Punjabi:

Got it. Next my question is on the Trade Generic vertical. So last year we have grown at a very healthy rate of 48% and over the last four years we've been growing at 35% CAGR and the scale is not yet large as we stand today. So is it fair to assume that over the next couple of years, we can grow at the historical rate?

Hitesh Windlass:

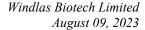
So again, while we are not providing the guidance as such on vertical wise, but we see tremendous potential in this vertical as I have been mentioning over the past calls as well, that this is an underserved market. And with the increasing spending in the hinterland of India, small B types, kasbas and even villages and interiors. This is where we are focusing. And this is almost a Blue ocean kind of a space. And we really believe that a huge way to grow is possible over here.

Neelam Punjabi:

Got it. Lastly, my question is on the EBITDA margin. So over the last eight quarters to nine quarters, our margins have been in the range of 11% to 12%, despite our gross margin increasing by almost 150 basis points to 200 basis points. So at what scale can we start seeing operating leverage flowing down to EBITDA margin going forward?

Komal Gupta:

So Neelam, operating leverage is kicking in and you see also consistent increase in the margins. So while it may not be a very high number, I can explain also that there, so strategically through our P&L, we have been investing on the long term thing. So having umbrella brand created for





our Trade Generic division, which should enable the growth that we are targeting. Increasing the team size for generic division, bringing in good leadership team, having them motivated through various initiatives, are all the things that we are working on to be prepared for the kind of growth that we want to deliver. And that is why, although there are operational efficiencies in place, we also want to continue to do the right thing. Operating leverage is kicking in, as you can see in the material margin. In expenses also, the growth should be visible, as if we are able to continue to deliver on the growth of revenue.

Neelam Punjabi: What would be the steady-state EBITDA margin that our business can deliver over the medium

term time horizon, let's say three years to four years?

Komal Gupta: There can be a 2% to 3% growth in the current EBITDA margin.

Neelam Punjabi: Got it, that's helpful. Thank you.

Komal Gupta: Thank you.

Moderator: Thank you. Our next question is from the line of Lakshminarayanan from Tunga Investments.

Please go ahead.

Lakshminarayanan: Yes, hi, good morning. A couple of questions. In terms of this CDMO business, what has been

the repeat business for us and what has been the new business for us?

Hitesh Windlass: So, we are actually very proud to say this, Sir that we have never lost a customer in the last 20

years, 20-plus years. We might have said no to a customer, but we have never really lost a customer. There are time-to-time some brands, if a customer takes them into their own facility, they can have, but most of our contracts are also five-plus years and they get continually renewed by all our customers. So in terms of as we launch new products like new DCGI permissions that we get for different launches, then in that quarter, for example, a lot of contribution from new launches can be there. Sometimes there is a demand spike that happens in existing products. So

it's a very changing aspect and we have not been reporting out on these variations.

Lakshminarayanan: So if I take the INR110 cores of CDMO you have done for this quarter, just from number

perspective - so you mentioned that almost all of them would be from repeat customers, so almost 100% repeat. So then how much would have come from new products from the existing customers? So let's say, you're supplying product A, B, C to an existing customer. Now you've actually started supplying the fourth product to the customer, right? So how much usually it

happens over a rolling three-year basis or a rolling five-year basis?

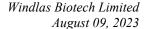
Komal Gupta: It keeps on happening, honestly speaking. The products which are being sold by all the big

And as their proportion changes, of course, our proportion keeps on changing. So while the business with the customer continues or keeps on growing. The portfolio of the product keeps

pharma companies, the proportion keeps on changing every couple of years or two/three years.

on changing. Either the volume keeps on increasing or reducing, or there are additional products

so it's really honestly difficult to...





Lakshminarayanan:

When you start a year, what kind of visibility you will have on your CDMO business, is it that you have clear visibility of the growth start of the year or you have like a three five year order book kind of visibility, subject to macro conditions.

Hitesh Windlass:

In the CDMO business in India, typically customers have, like for example, multinationals give us a two quarters to three quarters kind of visibility. Some of the large Indian corporates will give at least one quarter, maybe they will give one plus one quarter. So, there is a production plan that is made with some months having firm orders and some having tentative ones and there can be changes.

And some of the smaller customers will be more on in terms of a lead time perspective and they will have a lesser visibility. So very, very hard to, you know, give a definitive answer on this. But what we have in place is that our procurement is all against orders. So, we sort of make sure that back-to-back procurement is done like that in terms of you know our how we manage our supply chain. But the visibility ranges very differently across different customers.

Lakshminarayanan:

All right and let's take your top five customers as a cohort, right? For those customers, what would be their share of business to you? Let's say that their procurement budget is, say, INR100. And you just take a sense of these top five customers, how much they would actually be outsourcing and how much of that would come to you? And how do you look at it as a marker to improve penetration to the same customer?

Hitesh Windlass:

See, our top two customers are also top five customers in the Indian pharma market. So, for them, obviously our share, wallet share will be much smaller. Perhaps we might be at 1% of the overall outsourcing. And then as we go further down, we have different sized customers who fall in our sort of top customer list and their wallet shares could be higher.

I don't think that we would be more than 10% wallet share of most of our customers. I think that would be the highest probably. That is my guess, because customers also want to diversify. And as we have also stated, we also want to reduce client concentration. So, we are actively always, while we don't say no to business, but we are always making sure that we are not over-dependent on one customer.

Lakshminarayanan:

Got it. Any particular science or therapy or chemical where you are the de facto leader, I mean though you are a 1% for a large customer, maybe he would for that particular line of products he would definitely buy from you. Is that something like that where for some certain lines you are the de facto single source supplier?

Hitesh Windlass:

So no, definitely not single source. And I don't think any company in India would be single source in most of the large therapeutic segments. For us, antidiabetics and cardiovascular are the most important segments. In anti-diabetic products, we have more than 200 brands in the pharma market that we are manufacturing for, and cardiovascular, more than 180 brands. So, I would say that, from a reputational perspective, these two therapeutic segments are usually, we have a significant presence in.

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Lakshminarayanan:

Got it. And last question related to your operating cash flows. So, if I look at the last five years, your operating cash flows have been a little underwhelming compared to the overall net profit, right? However, last year, FY '23, it was very strong. So how do you look at it? Is that a metric you track or you're more top line and margin focused and whether the operating cash flow fits in your overall scheme of things and what's your guidance in terms of operating cash flow as a percentage of the operating profits?

Komal Gupta:

Yes, we are a very, very strong capital focused company in addition to being a profitability focused company. And we have consistently been working on increasing the liquidity and profits both. So, on working capital last year, as you saw, we did good. Before that, they're having things like COVID and then also increasing working capital against which we use the IPO proceeds.

However, last year we have done better and this year we see further improvement in the overall operating cash flow generation and liquidity position of the company. We stay committed to have a very good hold on liquidity, which also enables us to look at any inorganic opportunities that might be there and to also reward the shareholders to which we stay really committed.

Lakshminarayanan:

Thank you. Just one last question. So, we have seen increased scrutiny of CDMO players due to certain unfortunate events that have actually taken place across the globe for Indian exported pharma, right? Does it make us in a better place or is there a consolidation in the industry or there's an increased cost of compliance? I'd love to hear your comments on that

Hitesh Windlass:

See, actually, we believe this is a great opportunity for responsible and established players like Windlas. All our facilities are already complying to WHO GMP guidelines, which the regulator is now pushing and asking other industries also to step up to. A lot of our quality and risk associated with bad quality can be judged by the kind of clients that we are serving.

So, a lot of our client base is, we are serving almost all the top multinationals and that our facilities get audited almost 70 times, seven zero, 70 times a year. We have many of our customers who have permanent representatives sitting in our facilities overseeing some of the lines that their products might be in.

So, all of this allows us to learn and improve even more than what is the minimum requirement. So, we are continuously upgrading our systems, processes, people, training, and this oversight by customers is actually a great way for us to stay ahead. So, we actually believe it's a great opportunity for responsible companies like Windlas to be the reliable supplier to our customers for taking high quality products.

Moderator:

Thank you. Our next question is from the line of Gaurav Gandhi from Glorytail Capital Management. Please go ahead.

Gaurav Gandhi:

Yes. Hi, sir. Congratulations on the good set of numbers. Komal ma'am, I guess you have said that the peak capacity, the revenue will be INR600 crores, right?

Komal Gupta:

Correct.



Hitesh Windlass: From the current factories, yes.

Gaurav Gandhi: I mean, last year we have done almost INR520 crores. So, how much time will it take to increase

our capacity, in case we reach up to that capacity, full capacity, 60%-65%?

Hitesh Windlass: So, you know, there will be of course some areas where we can even with some small capex

improve capacity even in our existing factories. We are looking at these things and these initiatives take typically three to four months not more than that and beyond that let's say we can

roughly say that we can enhance our current capacity by another 10%, 15%.

But beyond that, if we are to create a new facility or buy a new facility, then we believe it could all be done in about close to about six to nine months, assuming that we select a good platform

and then refurbish it or something like that.

Gaurav Gandhi: And how much that 10 to 15% increase will take our turnover to?

Hitesh Windlass: In the same proportion you can imagine.

Gaurav Gandhi: INR700 crores to INR800 crores?

Hitesh Windlass: 10% to 15% of 600. Right?

Gaurav Gandhi: Okay. And will it hinder our growth ahead? I mean, if we take almost a year to add another

capacity, and if we have another growth opportunity, will it hinder our growth in any way. If

there is an opportunity?

Komal Gupta: No, no, we are completely on track, in control, have already actively been looking at the solution.

And of course, we are never going to be in a situation where we can increase the growth, but

capacities are not available. We would never be in that situation.

Gaurav Gandhi: Okay, and the second question is in the slide number 23, it says that we are among top six in

organized category, as against top five as mentioned in the prospectus at the time of IPO. So have we lost market share to someone else or are we not able to catch the entire growth

opportunity here?

Komal Gupta: We don't know honestly, because the data of most of the competitors, very few being in the listed

space, we are not aware of the numbers.

Hitesh Windlass: Right, and it has been said that there was some M&A activity that happened which has changed

the ranking slightly.

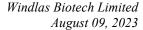
Moderator: Thank you. Our next question is from the line of Narendra from Robo Capital. Please go ahead

with your question, sir.

Narendra: Yes, so I was saying I needed a clarification regarding the previous question. So, say the need

arises in say one, one and a half year to expand our facilities. So, are we ready for that? I mean,

do we have the say land banks and everything ready for it?





Komal Gupta: So, we are actively looking out for the faculty if something can be bought out in the nearby area

and can be converted for our usage. And also, apparently if there is need be, we are confident

that we would be able to be ready by the time needed there, for being able to provide the growth.

Narendra: And also, regarding the injectables portfolio, so what kind of additional revenue are you

expecting from that and what was the capex for that facility?

Hitesh Windlass: So, regarding capex, I want to mention that we have purchased all new machines instead of any

used machinery as was we had contemplated in the prospectus that we would be able to use some used machinery but we have gone with brand new machines across the board, which provide us

more longevity, more higher speed, throughput and greater automation.

We have also added one more section, which is lyophilized vials, which is high in high demand

in export markets. So, there is a cost increase compared to our initial estimate. And but this plant will help us enter the injectables business with a state-of-the-art system that meet global

standards of GMP and confidently build the injectable business. So, with these three lines of

liquid ampoules, liquid vials, and lyophilized vials.

And we also have space where we can add more lines just by adding the machinery. So, no other,

you know, supporting utilities work will be needed to further improve capacity, should we want

to, depending on how the utilization transpires.

Now your question around the potential for this, we believe that for injectables, typically the

asset turnover ratio is approximately 1.2 times, so our capex at 70 roughly, mean that, we could

do approximately 1.2x as a maximum of what the current facility will give. And as we add more,

then obviously in some ways, we can get more.

Narendra: Okay, that helps. And also, regarding the exports that, you mentioned in the opening comment

like there's a gestation period. So how long is that period and is there any time -ine, where we

could see a bump in the exports in the coming years?

Hitesh Windlass: So the gestation period typically is you sort of have to get a dossier ready for and for different

markets, it's different. If I speak about the ROW market, Southeast Asia, CIS countries, some parts of Africa, Francophone and others, it's about close to about one and a half years for, from

filing of the dossier to approval and then the business starts.

So, we have been continuously filing products in various of our target markets and as these

mature at different points in time, after the approval, the business will start. So, that's why we

have been saying it's a fag-ended growth and most of the results of this work will show up in

year three, year four and further onwards.

Narendra: Okay, thank you. Thank you and all the best.

Moderator: Thank you. Our next question is from the line of Miten Lathia from Fractal Capital Investments.

Please go ahead, sir.



Miten Lathia: Yes, hi. Just one question, slightly medium term. Given that the overall market, Indian pharma

market growth is now probably settling down towards high single digits or 9%-10%. How realistic is our ambition to be able to double CDMO revenues in five years? I know maybe this question has come earlier but now it's becoming more and more apparent that, overall market

growth will not support that ambition. Do you think you want to revisit that target?

Hitesh Windlass: So, Miten, there is a while there is a growth number that is coming from, the overall growth of

the market. But, we also see that, there are regulatory changes happening. We just spoke about how, the government is asking much more compliance level. And we believe that, a fragmented

industry with quality pressures will end up benefiting the top end of the industry.

So, my sense is that if we execute to our plan, and stay focused on delivering quality, there might be some changes that happen, okay, CDMO versus trade generics versus exports, some things

could happen, but overall, we are very confident that, we will be able to achieve our aspiration.

Komal Gupta: And Miten, the last two quarters, we have seen that really, if we continue to work on the right

things, we have been able to deliver as against the numbers. So as Hitesh in his opening remarks said, that last quarter, it was a negative volume growth in the market. However, we deliver the

good percent growth in CDMO division as well.

We think that, if we continue to do all those things and everything else being in place, like all the professionalization that, we have been doing in terms of our own team, our motivated employees, manufacturing facilities being good, quality being our focus, new product pipeline,

we are very, very positive for future.

Miten Lathia: That would be great. Thanks and wish you all the best.

Hitesh Windlass: Thank you.

Moderator: Thank you. Our next question is from the line of Alisha Mahawla from Envision Capital. Please

go ahead.

Alisha Mahawla: Hi, good morning. Just a clarification before I ask my question. You said the injectable capex is

now at INR70 crores odd. What was it estimated at earlier?

Hitesh Windlass: We had estimated that, at around INR50 crores plus minus few, two years ago.

Alisha Mahawla: Okay.

Hitesh Windlass: With only one less line and at those prices.

Alisha Mahawla: Okay, and while you have mentioned that, the injectable facility will – can give an asset turn of

1.2x, what is the kind of utilization, we're assuming for year one, with it? Will it break even in

year one, which will be FY '25?

Hitesh Windlass: So, Alisha, obviously, we definitely want to have, all efforts and we are already looking at

bringing our potential customers for site visits starting end of September. So, while the plant is



in the process of being qualified, process qualification, media fill, and all these activities are going on in Q3. We want to, we are already planning to bring customers for site visits and get them to see the facility and look at discussions for bringing products in. And our goal, of course, is that, we want to achieve break-even as soon as possible.

But obviously, this is an area that we are re-entering after a gap of almost eight years, because until 2015, we were doing injectables in plant one. So there will be some obvious time that it takes. It's hard to say, so I cannot answer that question, but we believe that, if we, we are very conscious that it should not have a detrimental impact on our bottom lines. And that's something that we are taking seriously and trying to work in parallel.

Alisha Mahawla: And this facility will be for the export market?

Hitesh Windlass: Yes, early on, we will start commercialization with for our trade generic vertical itself because

currently we are buying some injectables from outside, which we will, simply move in house. So that will help us, to some extent. And then CDMO, but as we file export registration from

this facility, slowly the export concentration will rise over subsequent years.

Komal Gupta: Yes, so mix might change, but this facility would be serving all three business verticals.

Alisha Mahawla: Okay, and what is the kind of capex, you're planning for the current year? Because like

somebody was asking earlier, the peak revenues of about INR600 crores odd, seem to be achievable in the next couple of quarters. And there is some de-bottlenecking which can help

us improve our capacity utilization by 10%, 15%. So what is the capex for the current year?

Komal Gupta: So we expect that, we would start off in the first year with somewhere around INR20 crores to

INR25 crores, but we'll ensure that, we have space to do further expansion in case of higher revenues, which should be further INR10 crores to INR15 crores. So net-net around INR40 crores should be spent, but we would not spend, right now at least, we do not plan to spend

everything in one go. We would try to go phase-wise.

Alisha Mahawla: Okay, so INR40 crores in two parts, to help us expand the capacity by about 15% odd?

Hitesh Windlass: No. This is to meet the next five years need for capacity. The 15% odd will be taken care of in

our regular annual capex.

Komal Gupta: So INR10 crores to INR15 crores that we do, there should be one to growth here or there, we

should be able to maintain within that.

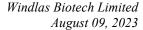
Alisha Mahawla: Okay, understood. And what is the kind of R&D spend, we are doing?

Hitesh Windlass: Sorry, can you repeat your question?

Alisha Mahawla: What is the kind of R&D spend that we are doing?

Komal Gupta: Yes, so R&D spend this quarter we did somewhere around, around INR2 crores and however

this keeps on changing quarter on quarter basis. We expect somewhere to continue on annual





basis, the same percentage of sale that we did last year. So, on a sale of INR513 crores, last year, we spent around INR9 crores, the similar percent.

Alisha Mahawla: Okay, so 1.5% to 2%.

Komal Gupta: Yes.

Alisha Mahawla: Okay, got it, thank you.

Moderator: Thank you. Our next question is from the line of Jainil Shah from JM Financial. Please go ahead,

sir.

Jainil Shah: Yes, thank you for the opportunity. My question was on, now we talked about the wallet size

that we are targeting. So, any capabilities that we need to add to gain a larger share? How are we competing with the larger peers? What is our USP versus them? And it also seems that, we are pivoting from core CDMO to exports and trade generics. So, what's our longer term thought

process here?

Hitesh Windlass: Okay, so let me answer your second question first. That trade generics is a very, very rich growth

as well as a bottom-line opportunity for the company. And as I mentioned in the past, we remain very committed to a disciplined operating cash flow, disciplined approach to growing trade

generic.

And so that's something that we have been doing very well. That pivoting is still quite far away.

Today, even our business is still almost 75% is CDMO. So, I would say that, until we see a space where more than 50% is being contributed by trade generics, I would not say that, we are close

to pivoting.

The key thing to see it is that, the facilities, the manufacturing facilities and network that we

have created are the same, whether it is serving CDMO, trade generics or exports. And that's where the leverage comes from. So, without creating a very high additional cost, we are able to

serve larger margin businesses. And therefore, this is where this is beneficial to us.

Komal Gupta: And as a business, our strategy always, so we try thinking and delivering in terms of

diversification. As we discussed that, customer concentration is something that, we have been

trying to fix. Similarly, in terms of business, we don't want to completely depend on one

particular business vertical.

And that is why we continue to try -- to have the high growth businesses, where we can deliver.

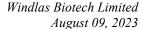
We have been successful in trade generics to our expectations, but we continue to do that so that

if there are times when growth in one business vertical gets hindered, we still have other areas

to temporarily take care of that.

Jainil Shah: Sure, that makes sense, but lot of large pharma companies are now focusing on trade generics

also that are entering the space. Do you think it kind of creates a conflict, once we are also





catering to their branded generics and we're competing with them in trade generics. So, is it a different product basket they were targeting or how are we doing it?

Hitesh Windlas:

See a lot of the trade generics is usually a primary care. So, while a lot of the branded generics that we serve are chronic diseases like cardiovascular, diabetes, respiratory and things. So, there is some therapeutic area differentiation between these two verticals. However, we do make even for customers who are operating in trade generic, we do contract manufacturing for them.

And we're very happy to receive that business and provide that. So, for us, we don't see any competition because, as I said, the scope and the space in trade generics is really, really very, very big. So, I think the overall industry, people who are very large branded generic players are also launching their own trade generics, right?

And even in branded generics, when we manufacture between -- there are some CMOs who have their own branded generic presence also. So, people work on their own networks and their own stockist networks, distribution networks, and serve, capture markets, which are still demand hungry. So, I don't see any.

Komal Gupta:

Yes, in fact, if these companies focus on trade generics, that actually works in our favor instead of being a concern. Because for us, their trade generics pie is also something that can get added to our CDMO vertical. And we, being early beginners, have an advantage and know the market of trade generics already. So, we are at equal footings there. There's no conflict, in fact, that helps us.

Jainil Shah:

Okay, that's very helpful. Thank you so much.

Moderator:

Thank you. Our next question is on the line of Neelam Punjabi from Perpetuity Ventures Llp. Please go ahead.

Neelam Punjabi:

Thanks for the follow-up. I just had one question on our working capital cycle. So, can you please let us know what's the current working capital days?

Komal Gupta:

Neelam, the numbers of balance sheet are not -- limited review is not done for Q1 numbers. And that's why we cannot give specifics. Having said that, there is improvement in overall working capital days.

Neelam Punjabi:

Got it, okay, thank you.

Moderator:

Thank you. Our next question is from the line of Ashwin Reddy from Samatva Investments. Please go ahead.

Ashwin Reddy:

Yes, hi, good morning, thank you for the opportunity. I had one question regarding the trade generics. So, I remember you saying that it is right now run in a very lean fashion, with a very small team and you've scaled to a good level. So, when do you see the addition to the team and what are the next steps here in terms of building the business out. And I remember you have

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target for the next three, four years, but I'm kind of curious about the team built out and what are the focus areas you want to focus on in this area?

Hitesh Windlas:

Yes, so as Komal also explained earlier, that part of the reason that we are investing from our P&L, so we have already increased gradually our team in trade generics. And we have also taken up activities like umbrella branding to strengthen our visibility and position in the trade generics setup.

So, there are activities that we are already taking up and those expenses are part of our ongoing P&L. And as I mentioned, this is a very good area. I don't think that the structure of staffing will ever mirror that of branded generics. It will always be a more merchandising kind of a sales force, but that is something that we are on that and we are expanding.

Ashwin Reddy:

Okay, but within trade generics, so would you want to or is there any area that you're focusing on in terms of therapeutic area or because I understand that you focus on Tier 2, Tier 3 geographies, but in terms of the therapeutic areas, do you see any specific areas where there's a large gap and you want to focus on that or how does it work?

Hitesh Windlas:

So, what we are observing is that, if you look at the Northern belt, the UP, Bihar, West Bengal, where the population density is higher, the therapeutic categories tend to be more on primary care side and a respiratory pain, gastro, infections and things like that. While when we are as we are expanding to sort of the richer states of the South or Maharashtra or other areas where there we are finding opportunities even in sub chronic and chronic spaces.

So, we believe that our model is not essentially to sort of come up with a therapeutic area and push it everywhere. We are seeing, what is the demand at that local regional level and then gearing ourselves to meet that demand.

Ashwin Reddy:

Okay. And in terms of tying up with any pharmacy chain, do you do that in trade genetics or right now, because I remember you saying about the stockists, but are there any large pharmacy chains that you want to tie up with, or will they be your partner in expanding the stage in this, is there any thought there?

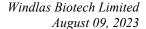
Hitesh Windlas:

So, when we tie up with pharmacy chains, if the brand is belonging to them then, and we have some products that we are making for some of the pharmacy chains, then it forms part of the CDMO business. But for us, the idea is that we are pushing through, so there are almost 8 lakh pharmacies in India.

And if you look at the largest organized pharmacy chain, that is having only about 6,000 pharmacies to 7,000 pharmacies. So, the market is very, very big outside of the organized chain pharmacies even. So, we are not specifically targeting. If there is something we are doing for them, then usually it happens that they want to launch their own brand. So, then it comes under CDMO.

Ashwin Reddy:

Okay, okay. And in terms of the working capital days, I mean, how does this business compare with the remaining part of the business, that is the trade generics part?





Komal Gupta: It is almost in the similar range, which is quite surprising, but we have been able to control the

DFOs, which generally is a concern for many. So, net-net for us the working capital days for

generic business are also similar to rest of the business.

Hitesh Windlas: And so in fact the working capital when you are supplying to a network of let's say 1,500 kind

> of a stockists, the individual exposure for each is, and you're able to see the history of payment, the behavior of payment, the focus in terms of what products each one of them is able to move, liquidate. So, we leverage all of this history and this data to take our calls in terms of credit exposure. And we are very, very mindful of that. So that's why Komal also explained it is within

the range of what companies overall credit exposure.

Ashwin Reddy: Okay. But say, would you have any internal app or something where they can order internally

> or how does the distribution system work I mean. Or is it like they order you have any online app on your site or you have people calling or whatever system like right now in terms of the

stockist if he is able to order and then you having the visibility on the inventory with them.

Hitesh Windlas: Right. So, we have a distribution software that has all the -- that tracks all the stockists that we

> are serving. Their licenses, their compliance level, and the stock levels, of course. And then we have an app which works on tablets. So, all of our merchandising team has a Samsung tablet kind of a thing where they can, as they work, when they go on tours or they discuss with the potential stockists, they are able to online in a live manner, see which stock is at what level and

what are the different schemes, what are the different promotions, and that's how they work.

Komal Gupta: And raise the PO, also on this.

Hitesh Windlas: Yes, they can raise the PO also on that.

Ashwin Reddy: Okay, great. Awesome. Thank you so much and good luck.

Hitesh Windlas: Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question of our question and answer session.

I would now like to hand the conference over to Mr. Hitesh Windlass for closing comments.

Hitesh Windlas: Thank you everyone for all your questions and giving us an opportunity to explain our business

to you. We look forward to seeing you again next quarter. Thank you.

Komal Gupta: Thank you.

Moderator: Thank you, ladies and gentlemen, participants who have missed out due to time constraints, they

can reach out to the management and SGA. On behalf of Windlas Biotech Limited, that

concludes this conference. Thank you for joining us, and you may now disconnect your lines.