CONCORD BIOTECH LIMITED

B-1601-1602, B-wing Mondeal Heights, Iskcon Cross Road, S. G. Highway, Ahmedabad-380015, Gujarat.
Phone : +91-79-68138700 Fax : +91-79-68138725 CIN No.: L24230GJ1984PLC007440
Email ID: complianceofficer@concordbiotech.com

February 16, 2024

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

Dear Sir/Ma'am,

Subject: Transcripts of Q3 & 9M FY24 Earnings call held on February 09, 2024

In continuation of our letter dated February 09, 2024 regarding Audio recording of the Unaudited (Standalone and Consolidated) Financial Results of the company for the Third Quarter and Nine months ended December 31, 2023, Earnings call for Investors and Analysts and pursuant to Regulation 30 (6) of the SEBI (Listing Obligations and Disclosure Requirements) 2015, the transcripts of the Earnings call for the said period enclosed herewith and available on the website of the company at the following link after sending this letter to you. Also please note that this transcript and the audio recording of the call, both have been uploaded on our website as follows:

https://www.concordbiotech.com/investors

Kindly take the same into your records and oblige.

Thanking you,
Yours faithfully

For Concord Biotech Limited

PRAKASH LALCHAND SAJNANI
Digitally signed by PRAKASH LALCHAND SAJNANI
Date: 2024.02.16 12:01:50 +05'30'

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

Encl: as above

CONCORD BIOTECH
Biotech for Mankind...

"Concord Biotech Limited

Q3 & 9M ' FY 24 Earnings Conference Call"

February 09, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 9th February, 2024 will prevail.

CONCORD BIOTECH
Biotech for Mankind...

CHORUSCALL

MANAGEMENT: **MR. SUDHIR VAID – CHAIRMAN AND MANAGING DIRECTOR – CONCORD BIOTECH LIMITED**
MR. ANKUR VAID – JOINT MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – CONCORD BIOTECH LIMITED
MR. LALIT SETHI – CHIEF FINANCIAL OFFICER – CONCORD BIOTECH LIMITED
MR. PRAKASH SAJNANI – COMPLIANCE OFFICER AND ASSISTANT VICE PRESIDENT, ACCOUNTS & FINANCE– CONCORD BIOTECH LIMITED

MODERATOR: **MR. SAGAR SHROFF – STRATEGIC GROWTH ADVISORS (SGA)**

Moderator: Ladies and gentlemen, good day and welcome to Concord Biotech Limited Q3 and 9 months FY24 Earnings Conference Call. Before we begin, I would like to point out that 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 risk and uncertainties that are difficult to predict.

Kindly note that 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sagar Shroff from Strategic Growth Advisors. Thank you and over to you Mr. Shroff.

Sagar Shroff: Thank you Neerav. Good afternoon everyone and thank you for joining us on the Q3 and 9 months FY24 earnings conference call for Concord Biotech Limited. Today we are joined by Mr. Sudhir Vaid, Chairman and Managing Director, Mr. Ankur Vaid, Joint Managing Director and CEO, Mr. Lalit Sethi, Chief Financial Officer and Mr. Prakash Sajnani, Compliance Officer and AVP Accounts & Finance. The Company has uploaded its financial results and investor presentation on the company's website and stock exchanges. I hope everybody had an opportunity to go through the same. We will begin the call with opening commentary by the management followed by a Q&A session.

I would now like to invite Mr. Sudhir Vaid, Chairman and Managing Director for Concord Biotech Limited to give his opening remarks. Over to you sir.

Sudhir Vaid: Good afternoon. Thank you for joining us on our Q3 and 9 months FY24 earnings conference call. We are happy to report a healthy financial and operational performance for 9 months ended December 23.

While our revenue for Q3 FY24 was flat, our revenues for 9 months FY24 grew by 20% over the same period last year. Reported EBITDA and PAT grew by 39% and 43% respectively on a year-on-year basis for 9MFY24. Over the years, Concord has developed substantial expertise in the area of fermentation, enabling us to innovate and introduce a varied spectrum of fermentation-based pharmaceutical API for the pharmaceutical industry in the field of immunosuppressant, oncology, anti-infective and antifungal.

Fermentation process is very intricate, requires specialized manufacturing capabilities, expertise in working with micro-organisms, precise control of diverse process parameters and implementation of multiple downstream purification process. Concord has established itself as a market leader in fermentation-based biopharmaceutical APIs for immunosuppressant, alongside diversifying into the field of oncology, anti-infective, antifungal segments, a strategic move that can mitigate risk and open new opportunities for growth. Having a comprehensive product portfolio and continuous new product addition will serve as a significant advantage.

This not only showcases Concord's expertise and presence across the spectrum, but also positions us as a one-stop solution provider of fermentation-based APIs. We are also exploring

opportunities for CDMO projects to accelerate our growth journey. Beyond our technical expertise, we manage very expansive and sophisticated manufacturing facilities with a proven history of securing regulatory approvals and adhering to compliance standards.

In this context, I would like to highlight that recently, ANVISA, that is, Brazilian Health Regulatory Agency, conducted a successful inspection of our Unit 1 API facility with no adverse remarks. These regulatory approvals across geographies positions us to cater to both regulated and unregulated markets. Our strong research and development capabilities, supported by an in-house R&D team, have been instrumental in commercializing high-quality, cost-effective products efficiently.

Being backwardly integrated with the manufacturing of key starting materials also provides a distinct competitive advantage. This vertical integration can contribute to cost efficiencies, quality control, and a more streamlined production process. It also enhances our ability to manage supply chain effectively, ensuring a steady and reliable source of key essential materials.

Overall, having state-of-the-art manufacturing facilities, global regulatory approvals, R&D and manufacturing expertise, along with backward integration, positions Concord as a well-rounded and resilient player in the manufacturing of fermentation-based pharmaceutical APIs and finished formulations. By leveraging on these strengths, Concord expects to launch new products across different therapeutic segments and, therefore, well-poised to expand its presence in global markets, therefore contributing to sustainable growth and success.

From ESG's standpoint, I would like to highlight that Concord was also awarded with a Bronze Rating by Eco Vadis in 2023. Thus, by maintaining a focus on sustainability, ethical practices, and staying abreast of evolving industry trends, Concord will further enhance its standing in the market. In the end, I would like to convey my thanks to all our partners, associates, and investors for their continued support.

With this, I hand over the call to Mr. Ankur Vaid, Joint Managing Director and CEO of Concord Biotech Limited. Thank you.

Ankur Vaid: **Thank you Sir,**

Let me begin with performance for the quarter, followed by strategies going forward. We are pleased to announce our performance for Quarter 3 and 9month FY24, and our outlook remains optimistic, aligning with our long-term guidance of CAGR growth of 25% over the period of five years. During Quarter 3 FY24, our revenues stood at INR 241 crores, which is similar to the same quarter last year. However, our 9-month FY24 revenues grew by 20% year-on-year basis, driven by a 7% increase in API revenues and a 156% surge in formulation revenues compared to the corresponding period last year.

I would emphasize to assess our financial results on an annualized basis rather than quarterly. This is because there could be fluctuations on quarter-on-quarter basis, resulting in some quarters experiencing higher procurement than others. Some of the reasons for the fluctuations are changes in customer procurement pattern, sales spill over to subsequent months due to approvals, and Red Sea disruptions. Therefore, a more accurate assessment of our performance

is best achieved by analysing the medium- to long-term trends rather than short-term quarterly variations.

Speaking of the specific highlights, we are delighted to announce that the Brazilian Health Regulatory Agency, which is ANVISA, conducted a successful inspection of our Unit 1, API facility in Dholka in January with no adverse remarks. This achievement is expected to open up new opportunities in different regions and attract more customers in Brazil for our API products. Simultaneously, we are actively pursuing applications and registrations in various emerging and regulated markets to introduce our extensive product range.

Presently, we have secured four ANDAs for six products from the US FDA and have also filed new ANDAs. We are also in the process of submitting additional dossiers across different territories. Furthermore, the approvals obtained from regulated markets serve as a solid foundation for securing approvals in emerging markets, facilitating quicker approval process, and enabling us to establish a stronger presence in those markets.

This perspective focuses on our geographical expansion efforts. On the product front, we currently offer a portfolio of 24 products spanning across immunosuppressant, oncology, anti-infective, and antifungal fermentation-based APIs. Our strategic plan involves introducing approximately 8 to 10 additional products over the next three years, especially in the field of oncology and anti-infective, contributing to our sustained long-term revenue growth.

In the coming few months, we expect to commercialize a couple of these APIs. In tandem with product expansion, we are actively acquiring new customers across different regions. Simultaneously, we aim to enhance our market share among existing customers by offering a comprehensive range of fermentation-based products, thereby diversifying our product offerings and strengthening our position in the market.

Speaking of our formulation business, it has experienced notable success, gaining increased acceptance of our products among customers across regions. Our formulation business has demonstrated strong performance with an increase of 190% for Q3 FY24 on a Y-on-Y basis. We have an on-ground team of over 150 members in sales and marketing across India for our formulation business.

And with addition in our product portfolio, we are optimistic of expanding our customer base in the years ahead. Our strategic focus involves targeting the domestic and emerging markets for our formulation business, with limited presence in the regulated markets. The formulation business is in a continuous state of development, and we anticipate significant growth in terms of both products and customers, contributing to our overall success from a medium-to-long-term perspective.

We are progressing as planned for commercial production of our injectable facility in the first quarter of the fiscal year 2025. Once operational, this facility will enable us to offer a comprehensive range of formulation products, including oral solid dosage and injectable, positioning us as the preferred vendor for our customers. This strategic initiative is poised to enhance our market presence across various geographies significantly.

We have also articulated our intentions to venture into the CDMO business. We are currently actively engaging with innovators and large generic players, submitting RFQs and positioning ourselves as a viable partner by leveraging our expertise and manufacturing capacities and capabilities. The successful implementation of any CDMO project has the potential to contribute substantial volumes and revenues to our growth trajectory, allowing us to accelerate our growth.

However, it is currently premature to provide any specific timeline for these endeavours. We will keep you informed on any developments in this regard. It's important to note that our outline growth targets do not currently account for this opportunity.

Successfully tapping into the CDMO business could significantly expedite our growth journey. Finally, we remain mindful of our ESG initiatives. We are delighted to inform that Concord has achieved Bronze rating in 2023 by Eco Vadis, one of the world's most trusted business sustainability rating agency.

This recognition reaffirms our commitment to environmental responsibility and sustainable business practices contributing to positive global impacts. Going forward, we maintain confidence in our growth strategies, including the emphasis on deeper market penetration, acquiring new customers, and introducing innovative molecules in niche categories.

With this, I hand over the call to Lalit Sethi, our Chief Financial Officer for Finance and Operational Performance. Thank you.

Lalit Sethi: Thank you, sir. Let me take you through the financial and operational performance for the quarter and 9 months ended December 2023. On the revenue front, our revenue for the quarter 3 of this financial year '24 stood at INR 240.8 crores as compared to INR 240.7 crores in the quarter 3 of the last financial year. As highlighted earlier, it will be prudent to look at the company on an annualized basis rather than comparing on a quarter-to-quarter basis on account of lumpiness in the revenues.

Revenues for the 9 months in this financial year stood at INR 698 crores as compared to INR 581 crores in the same period last year, which represents a growth of 20% on a Y-o-Y basis. Revenues from the API business stood at INR 562.6 crores for 9 months this financial year as compared to INR 527.7 crores in the 9 months, financial year 2023.

Revenues from formulation business stood at INR 68.5 crores as compared to INR 23.5 crores in quarter 3, financial year '23, a stellar growth of 191%. Formulation revenue for the 9 months of this financial year stood at INR 135.4 crores, a growth of 156% on a Y-o-Y basis. The split between the API and formulation sales for the 9 months stood at 81% and 19% respectively in line with our guidance.

Domestic revenues for the quarter stood flat with exports growing by 1% Y-o-Y. Domestic revenues for the 9 months financial year '24 increased by 25% Y-o-Y and exports grew by 15% for the same period.

Speaking on EBITDA, reported EBITDA for quarter 3, in this financial year stood at INR 106 crores as compared to INR 112 crores in the same period last year. EBITDA for the 9 months of

this financial year stood at INR 297 crores which represents a growth of 39% on a Y-o-Y basis from INR 214 crores in the 9 months last year.

Reported EBITDA margin for 9 months financial year '24 stood at 42.6% as compared to 36.9% for the same period last year which represents an increase of 570 bps. Margin for the quarter stood at 44% as compared to 46.4% in Q3 financial year '23. EBITDA, including share of profit from the joint venture, stood at INR 303 crores with a margin of 43.4% in the 9 months financial year 2024.

On the profit after tax, our profit after tax for the quarter 3 financial year '24 stood at INR 77.6 crores as compared to INR 77.4 crores in the quarter 3 financial year 2023. Profit after tax for the 9 months financial year '24 stood at INR 213.1 crores as compared to INR 148 crores in the 9 months financial year '23 which represents a growth of 43% on a Y-o-Y basis.

PAT margins for the quarter 3 FY'24 stood at 32.2% as compared to 32.1% in quarter 3 financial year 2023. PAT margins for the 9 months financial year '24 stood at 30.5%, a growth of 490 bps on a Y-o-Y basis. As on 31st December 2023, we are a debt free company.

With this, I shall now leave the floor open for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Hussain from Ambit Asset Management. Please go ahead.

Hussain: Hi, thank you for taking my question. So, my question was on API revenue. If we look at our company revenue on a 9-month basis, we are growing at 20%. However, API revenue is up like around 6% to 7%. So, could you highlight what is the reason for this? And also, if you could help us understand that what is or how the growth trend is excluding the key molecules, the top seven molecules?

Ankur Vaid: Sure. So, we are seeing good growth overall in the API business. There were certain spill overs of certain key molecules into the subsequent months because of certain reasons. And these were relatively high-volume sale numbers for different reasons, because of which it got spilled over into the subsequent quarter. But if I look at it from an overall perspective, we see good growth within the API segment.

And talking about how the split is between the different therapeutic segments. On a 9-month basis, we have seen the dependency on the immunosuppressant portfolio going down by close to 3% than what it was last year. And much of that has been gained through our increase in sales in the oncology followed by the anti-infective segment and then the antifungal segment. So, we are seeing good growth in all the therapeutic segments. But as more molecules are coming in the newer therapeutic segments, which ex-immunosuppressant, there is more growth happening in that segment.

Hussain: Understood. Thank you. And my last question is basically on the formulation revenue. So would it be possible for you to give a breakup as to how much of it would be from India certainly? And also, can you help understand the formulation business in India? Because if my understanding

is correct, I believe that largely all hospitals sales or tender sales, so if you would just provide an overview on the India formulation business. Thank you.

Ankur Vaid: So, we don't give a geographical segmentation for the formulations. But yes, India and emerging markets are the key markets for us. We have limited presence in the regulated markets. And the India business for us has grown very well.

Particularly, the transplant or the immunosuppressant division, because we've been there in that segment for now close to five, six years. And I would say that we are the only company right now, which is having the full integration right from API to formulation, supplying from USFDA approved facility with full BA/BE studies. So, our quality is of very high standards.

And that's something that the doctors and the medical fraternity and the patients appreciate because of which we've been growing so aggressively in the India market. Of course, being all manufacturers, we are catering not only to the corporate hospitals, but also to the tenders. The critical care division of ours is also doing very well.

And we are very optimistic that with own manufacturing coming in, over a medium-term perspective, we are going to see similar high level growth in the injectable once we become own manufacturing on some of the specialized injectable products.

Hussain: Okay. Thank you. That's it from me.

Moderator: Thank you. Next question is from the line of Alka from Baroda BNP Paribas. Please go ahead.

Alka: Just if you can share your views on your oncology Everolimus traction going forward, how do you see and how it has been on the 9 months and how do you see full year or the next one to two years?

Ankur Vaid: So, I will not be able to comment on a product on product sales, how we are seeing that. But of course, you know, we have approvals in place now, both from U.S. as well as Europe. We have been granted CEP also for Everolimus in Europe.

So, there is a lot of growth prospects. And with ANVISA, Everolimus was also one of the products that was covered. So, with us getting global regulatory approvals and with our filings in global markets, we are in discussion with global customers in terms of how we can collaborate and co-operate with them on this molecule. So, in terms of capacity, we have enough capacity to cater to the global requirements and with the regulatory approvals in place and few coming in, you know, we are well poised to capture a large market share on this product as well, like the others.

Alka: Okay, fair enough. And also, if you can just, broadly, if you can share, how has the new customer revenue share been for the 9 months?

Ankur Vaid: So, we have added new customers, close to 54 customers have been added in the 9 months period. But, we do not categorize it between what's the sales coming from new customers vis-a-vis, from the existing customers.

Alka: Okay, no problem. So, can we assume that it's a blend of both the new customer plus your existing ones?

Ankur Vaid: That's correct.

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

Moderator: Thank you. Next question is from the line of Vivek Agarwal from Citi Group. Please go ahead.

Vivek Agarwal: Hi, thanks for the opportunity. So, in the last 9 months, we have grown, our top line has grown by around close to 20%, right? So, any updated guidance for, let's say, how to look at FY '24 and '25 numbers in terms of growth, though we continue to maintain around 25% kind of long term guidance, but it would be super helpful if we can share some near term trends as well? Thank you.

Ankur Vaid: So, we have mentioned that we will grow at a CAGR of 25% over the next five years. And during our previous calls as well, we discussed that, this is a journey from where our historical CAGR of 18% to our target of 25%.

Because during this five years, there are going to be different, milestones that will be achieved, whether it is, the utilization of Capacities or the commercialization of the injectable plant, us getting new products commercialized, getting more penetration, into the different geographies with our existing products.

So, this is a journey that is going to go from 18% to the 25%. And, all the growth levers are well in place to take us through that journey. Talking about how do we see this year? I would say that, we have a good order position, and we have, orders flowing in.

But I will not be able to give you a guidance in terms of what that number would be by the end of this year. But definitely, it will be higher than the historical growth and towards that journey of 25%.

Vivek Agarwal: Thanks, Ankur. And would you like to share how the pricing has behaved for the top four, five products, especially in the API segment? And what is your contribution of the top five products as a percentage of revenue has moved over the last 9 months? Thank you.

Ankur Vaid: So, pricing for us, on a customer, on a customer basis has been relatively stable. And, you know, we've not seen any significant price erosions. However, if one would see at a blended level, because of new customer acquisitions, there could be possibilities of, getting newer customers who have a much larger, opportunity to kind of give relatively better pricing than what historically is to others. So, basically, just more about price versus the volume. But to most of our existing customers, it's been relatively stable for us.

Vivek Agarwal: So, just to clarify that, the new customers that you're adding, that are coming at relatively higher price, so even for the same products?

Ankur Vaid: No, no. So, again, it's a blend, because if they are newer customers, but having relatively smaller volumes, then the price points are different versus a new player who has a substantial big market share, they are able to command a better pricing, than the others.

Vivek Agarwal: Understood. Thank you. And your share of API to formulation mix. So, what is the current share in Q3? And how we should expect this to move, let's say, over the next couple of years?

Lalit Sethi: In Q3, it's 81% from the API and 19% is from the formulation. And going forward, we are expecting to have the 80-20 kind of a contribution from API and formulation.

Vivek Agarwal: Okay, thank you. Yes, I have a couple of more questions. I will join back to queue.

Moderator: Thank you. Next question is from the line of Vineeth Lambu from HSBC, please go ahead.

Vineeth Lambu: So, the API revenues had like some orders has been spilled over to subsequent months. You expect Q4 to be more than average in API segments.

Ankur Vaid: You see, I would put it in a way that if you are going to grow with a historical CAGR, and the split is going to remain 80-20, definitely, there is any variance on the API percentage growth, that would get taken care of. So, as I said that, you know, we expect good sales in the API in this quarter as well.

Vineeth Lambu: Okay. And the next question is what would be the sustainable growth rate in the formulation business? Because it has grown like 150% over 9 months, right? Like, what would you expect it to be measured? Because the base is also increased. So, what growth rate you are expecting? So, then maybe one or two quarter view, but maybe one year view or two years view?

Ankur Vaid: Yes. So, you know, formulation for us started in 2016. And we got our ANDAs approval around 2019-2020, based on which we started taking this dossier into the global markets.

And that's when COVID hit. So, '21-'22 and '22-'23 was more of a dry period or where we got less approvals. But now, since the approvals have started flowing in, you know, that's getting translated into business for us.

And that is the result of why we are seeing such high growth in the formulation business. But as we've mentioned earlier, that going forward, we have growth levers in place that, you know, while the percentage growth within the formulation segment could be relatively slightly higher.

Because the base is smaller compared to the API, but the split between the two is going to remain more or less 80-20. Therefore, we expect to have 25% five-year CAGR, And that's you could break it down at the formulation level as well.

Vineeth Lambu: One last question. And as you said, the commercialization in the injectable would be starting in quarter one FY25, right?

Ankur Vaid: Yes.

Vineeth Lambu: So, what would be the average revenue run rate for the FY25 or FY26? What is the expected revenue generation?

Ankur Vaid: So, FY25 is going to see the commercialization of the injectable plant. We're going to take validation batches and then go ahead, after stability, go with the filing in the emerging markets. So, from an emerging market perspective, this is more of a medium-term business opportunity because it will take some time before we get access in the emerging markets.

However, our sales to the India market with integration would start by the middle of the next financial year once we have enough stability data with us to start supplying in the Indian market. And again, from an India perspective, once we have two years of manufacturing certification, we would also be able to get access to the government tenders.

So, the injectable piece is more of a medium-term to long-term opportunity. And that's where, it kind of also answers the question that Vivek had asked earlier, that, you know, growing from 18% to 25% on a CAGR basis, this is going to be one of the pieces that would also play out its role when we are at a medium-term phase.

Vineeth Lambu: Last one. So, you think, like, from FY26, the injectable would be adding meaningfully, revenue-wise?

Ankur Vaid: Yes, it would start adding, it would start contributing to the overall number. It would start slowly because we would start getting access to the emerging markets. But as time will progress, then our sales would keep increasing over the years. But we should see some good sales coming in FY26.

Vineeth Lambu: And you expect the margins to be the overall, like, 40%, around 40% for the injectable, or if you can give me some range on that?

Ankur Vaid: It's, little too early to say, because, again, you know, things change in a span of one and a half, two years. But I would say that being an integrated player on the API, having our own manufacturing, definitely, we'll be able to get a much better share of the market.

And the margins in the injectable is relatively better compared to the oral solid dosage. So, I expect that compared to oral solid dosage margins, our margins should be relatively better off.

Vineeth Lambu: Okay, thank you. That's it from my side.

Moderator: Thank you. Next question is from the line of Harsh Bhatia from Bandhan Asset Management. Please go ahead.

Harsh Bhatia: Hi, Ankur. Just to pick up on the previous question from the injectable perspective, if you could help us understand. So, I understand the trajectory in terms of first targeting the domestic business, as well as the emerging markets.

So, at least if you could help us understand the number of products that we would be sort of targeting for the next one or two year period, plus the therapies that we are looking at. I understand that the adjustable market might be a little bit difficult to give out.

But if you could help us understand the range on a broader basis for the domestic market as well as the emerging market, like, overall size of which is $500 million on a global scale basis? Or it could be close to, let's say, a billion dollars, anything from that front.

Ankur Vaid: So, you know, a little early for us to give the addressable market. But talking about the products, we would have close to around 8 to 10 products that we initially intend to go with. And most of those are backwardly integrated products.

So, where we are, the API manufacturers, again, at the API front, as I say that there are not many API manufacturers for these fermentation APIs, which are in the anti-infective, anti-fungal space. So, having this full integration approach definitely would play to our advantage. And with that, we should be in a position to get a larger market share over a period of time.

And all these products are going to be the dry powder, liquid injection, bulk lyophilisation products, which are typically going to be within the anti-infective, anti-fungal space. So far we have been only manufacturing non-sterile APIs, but we have also put in a provision here for manufacturing sterile bulk APIs.

So, this was something that we used to lose as an opportunity, because at times, sterile fermentation API products, we were not able to do, which maybe some other suppliers were able to do from other parts of the world. But now that we would have the provision of supplying sterile bulk APIs from this new facility as well, this would also open gateways, not only at the formulation level, but also at the sterile API supply levels.

So, very optimistic. And that is something that could happen relatively faster than getting approvals in the formulation level. So just wanted to share that that's also a good opportunity that we see in this space.

Harsh Bhatia: Look, from an FY '26 perspective, we should be building in the fields of both the injectable formulations as well as the sterile bulk APIs as well.

Ankur Vaid: Yes.

Harsh Bhatia: Okay. All right. Thank you.

Moderator: Thank you. Next question is from the line of Bhavesh Gandhi from Yes Securities. Please, go ahead.

Bhavesh Gandhi: Thanks for the opportunity. One question from my side. Recently, if I look at the approvals, then one Chinese company got an approval for Tacrolimus extended release capsules, whereas the product which we have is IP-linked and oral capsules. So, does this create any impact on our Tacrolimus franchisee, this kind of approval for the extended release version of the product? That's it from my side.

Ankur Vaid: So, no, it does not. Because from an API perspective, it does not create any concerns to us. As a matter of fact, they could potentially become a customer to us because we are also registering our Tacrolimus in China as it is already there in other parts of the world. So maybe in the future,

they could be a potential customer to us. But that being said, from a formulation perspective, there is no concern.

And from our own formulation, we have not there in that particular formulation product. Again, do not see any concern. So, not from API or formulation that I see any concern there.

Bhavesh Gandhi: Yes. Okay. That's it from my side. Thank you.

Moderator: Thank you. Next question is from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.

Alankar Garude: Hi, thank you for the opportunity. Sir, first question, how has been the ramp up in utilization of the Limbasi facility?

Lalit Sethi: Limbasi facility is now been operating at 36.78% for the 9 months period, as compared to 26.77% in the same period last year.

Alankar Garude: Thank you, sir. So, then if I look at the 7% year on year growth in the API segment in 9 months, would it be fair that our blended pricing is down in high single digits compared to 9 month FY23?

Ankur Vaid: No I'll give you an example that, there was a good amount of inventory that we are sitting in our WIP this year, that while capacity utilization happened, we were not able to sell to that customer because the customer wanted, material from the entire batch instead of smaller batches that we were giving and they needed regulatory approval, internal approvals from their quality teams.

So, that at the end of the year, we were sitting actually on a significant larger inventory, although the capacity utilization number shows that, but that did not get translated into sales for us. So, there have been some examples because of this, I spoke about the Red Sea disruption. So, when we sell our finished formulations to certain markets, they are on CIF basis.

So, while the product were shipped from our facility, it did not get translated into sales for us because instead of 30 day period, now it is taking closer to 45- 50 days time period. So, while the utilization numbers show a very different picture, somehow it has not got translated into the sales number. But from a pricing perspective, as I said that the new customers, the pricings for some of the customers have been relatively on the lower side because of the volumes that they are looking at.

And in certain cases, the prices have been more or less in line with what our historic prices has been. So, again, it is very, case to case basis if I put it.

Alankar Garude: Understood, Ankur. So, I mean, basically, then the assumption is while we have seen some growth in volumes, despite all the issues you pointed out, possibly on a blended basis, pricing could be down slightly on a year-on-year basis.

Ankur Vaid: That's correct.

Alankar Garude: Okay, fine.

Ankur Vaid: In some of the molecules, we could see some bit of pricing, which could be slightly lower, not as significant, but it could be slightly lower compared to what historical it was. But since these new customers do not account for a very significant portion of the total volume, that number is going to be very less. But, if we would talk maybe in a percentage term, it is going to be marginally lower.

But yes, I would have to come back to you, but it could be slightly lower on a blended number.

Alankar Garude: Fair enough. The second question, Ankur, is now with Limbasi coming in, it has been more than two years now. Are you starting to see some kind of traction in your interaction with clients, which will enable you to get a higher market share, particularly for your key products, for example, Tacrolimus or Cyclosporine.

And I am not talking specifically about 9-month FY24, but in general, have those discussions started? Where are we in that process, if you could just highlight that?

Ankur Vaid: So I think in these one and a half, two years, Alankar, we have moved quite aggressively in terms of getting this new facility into our existing Customers DMF So with the getting approvals from the US FDA, Japanese PMDA, and other regulatory authorities, customers have started accepting this site into their ANDAs or into their dossiers. And that is the reason why we are seeing that kind of a ramp up in the capacity utilization growing from 26% to 36%.

Now, of course, we are also working on a lot of new molecules as well. So, the kind of discussions that we are having with customers is not only with respect to our existing APIs, but also with respect to the new APIs that we are developing. So, those are the kind of discussions that are now happening, not only with the existing, but also on the new molecules that we are looking at.

Alankar Garude: Sure, thanks. And maybe one quick one. Similar to Limbasi, can you also share the utilization levels for Dholka and Valthera?

Lalit Sethi: From Dholka, it is from 75% to 79%. And Valthera, it's around from 18% to 17.71%.

Alankar Garude: Okay, thank you, sir. All the best.

Moderator: Thank you. Next question is from the line of Vatsal Sheth from Upswing Investments. Please go ahead.

Vatsal Sheth: Hi, sir. Thank you for getting me on the board. So, my first question is that, how do you see the issue of Red Sea currently? So, do you foresee any kind of major challenges going ahead? Because Concord Biotech's revenues, a lot of revenues dependent on exports. So, how do you address the situation of Red Sea going forward?

And number two, we have seen a quarter and quarter dip on the API segments, no doubt because of the spill overs. So, how do you see that spill overs getting back into the business?

Ankur Vaid: So, on the Red Sea, I would say that majority of our exports happen by air only. It is only with respect to our formulation sales that, we end up using the sea as a route. So, and that's where I said that, because of the nature of our terms with the customer, FOB or CIF, we are seeing some impact in the revenue recognition, because it takes slightly longer time than the usual to kind of get it realized in our sales.

So, that's one. Maybe from an import perspective, what we are doing is we are just trying to closely monitor the situation and also see that how we can do relatively better planning on maybe some of the few imports that we do. Of course, we are not dependent much on the imports.

Most of our raw material procurement happens from within India, but if there are a few items that are imported, we have to closely monitor the situation and do a better planning so that it does not impact us. So, those are the only two areas where we see some impact happening.

And this is basically kind of delaying the recognition for us, particularly with respect to the formulations. It's how we look at things.

Vatsal Sheth: Okay. Thank you. My question is answered. Thank you.

Moderator: Thank you. Next question is from the line of Ashish from JM Financial. Please, go ahead.

Ashish: Yes, thanks. So, Ankur, when you say that over the next five years, we see a revenue figure of around 25%, does this number also include the CDMO opportunity?

Ankur Vaid: No.

Ashish: Okay. Fair enough. And secondly, on this injectable, so we have spent almost around INR 200 crores on building this facility. So, what kind of asset turns are you guys envisaging, and over what timeframe you feel this facility can achieve a 70%-80% utilization?

Lalit Sethi: Normally, in injectable kind of a business, the asset turn is to the extent of around 2.5 to 3 times. And it takes around three to four years' time to, take the capacity to that level. Just to add, these two to three years' time frame is after you getting the necessary regulatory approvals in place.

So, once we have the approval, one can take maybe, that kind of a time frame to start seeing that ramp up.

Ashish: So, when you say emerging markets, what all markets does that include?

Ankur Vaid : So, this primarily we would be targeting is Southeast Asia, Middle East, and Latin.

Ashish: Okay. And India, you said mid FY25, but emerging markets could be earlier? Is that what you said?

Ankur Vaid : Emerging markets would be later, but mid next year, we should start seeing sales in the India market.

Ashish: Okay. And lastly, of all these facilities like Valthera, Limbasi, obviously, there's also, what is the operational cost on an annualized basis, if you could put that number, just to figure out how much it is eating off the total cost?

Ankur Vaid : So, we do not provide segmental or divisional profitability, but consolidated numbers are there, which we have shared.

Ashish: Okay. Fair. And whatever expansions you guys are doing, and possibly in the future, you guys might also venture into adjacencies. But in terms of seasonality, the seasonality will be in favour of second half, right? So, that business, in terms of business construct, these economics will continue to remain even over the next two to three years, right?

Ankur Vaid : Yes. I mean, as I said, that there is lumpiness. And as you would see that our quarter two saw a very significant jump in the sales, which, again, is very different from what we've seen historically. So, this, again, as I said, that there would continue to be lumpiness. But historically, what we have seen is that our second half has always been higher compared to what our first half has been.

Ashish: Pretty good. So, lastly, just one more question on these Limbasi facilities. Where are we in terms of customer inquiries? How's that thing moving on?

Ankur Vaid : So, we know who our target customers are. We are already engaging with them. And most of these customers are basically working towards adding the site into their dossier. And wherever we are getting new customers, we are trying to request them to start procuring quantities from the new site only.

But I think since we have significant global market share, we are working with all the major customers. So, the process is mostly towards getting access to their dossier from this new site is where much of the work is happening.

Ashish: Perfect. And just one more question, sorry. On this 25% revenue guidance over the next five years, and since the Limbasi- Valthera are in the initial stages now, would it be fair to assume that the guidance of 25% would be back-ended in nature? I'm just trying to figure out, would it be that, 25% revenues would be coming like from FY26 or FY27? Or you feel it's a evenly spread out kind of revenue growth that you are anticipating?

Ankur Vaid : No, see, definitely not evenly spread out. But, and surely not all back-ended. But, it is a journey that one would have to go from. And at different, different time points, there are different, different growth levers , which would start playing out. So when we talk about, the injectable, we speak about from FY25, FY26 onwards, we have the Limbasi facility, which is already playing out because last year was 26%. Now it is 36%.

And with the introduction of new APIs at Limbasi, that ramp up would also start contributing not only to top line, but also to the bottom line. So, I would say, it's a journey difficult to quantify for us in terms of how that number is going to be.

Ashish : Okay. And versus 42% EBITDA margins in the first 9 months, would you say that, 40% is the minimum that you guys can do at any point in time? Is that a fair assumption?

Ankur Vaid: So, again, we won't be able to comment on what is the minimum that we could do or the maximum. But I would say that, since second half is always the heavier side and we would see increased capacity utilizations, definitely our performance should be better than what has been for the 9 months on the profitability side.

Ashish : Perfect. This helps. Thank you. And all the best, Ankur.

Management: Thank you.

Moderator: Thank you. Next question is from the line of Harshal Patil from Mirae Asset. Please go ahead.

Harshal Patil: Thank you, sir, for the opportunity to ask the questions. I just need one clarification. This is for the API segment. For Q3, we've seen a decline. So, sir, just to understand it correctly, this decline could be attributable to a delayed offtake by one of the customers. Is it right?

Ankur Vaid : No, it's a blend of many things. As I said that, we spoke about the lumpiness. So, the consumption pattern of the customers is one thing that has played out because, at times, depending upon their production planning, they may require the product in a particular month versus in a subsequent month. those patterns could be the reason. And this is, again, we are considering that as an option or as a possibility. And second is, of course, that we spoke about that we did see some spill over, some of the examples that we spoke earlier.

And also, the Red Sea disruption that we spoke about. So, those are some of the reasons that I feel are the probable reasons why, it has been this way.

Harshal Patil i: Right. So, just a continuation to that, when we say the Red Sea disruption, that was more so with respect to the exports, right? And on the formulations, I guess, if I'm not wrong, most of the formulation exports are through the sea route that we do. And APIs are mostly done through the air. Is that right or am I wrong on that?

Ankur Vaid : That's correct. And some bit of import, as I mentioned earlier, for some things that we do procure as imports, they are mostly by sea. So, some delays are accountable to that as well.

Harshal Patil: So, in that case, considering that there was a Red Sea disruption, we could have seen some better formulation sales as well as compared to what's reported in Q3.

Ankur Vaid : Sorry, I didn't get you.

Harshal Patil: The Q3 formulation segment sales, that is showing a very strong growth on a Y-o-Y basis, we would have had some disruptions from the Red Sea issues in this quarter for formulation sales or no?

Ankur Vaid : So, it's not a disruption, it's delayed recognition of sales. So, something that could have happened, say by 31st December, probably it reached the destination, say, in third week of January, because of which we were able to recognize the sales in January.

Harshal Patil: Right. So, in that case, that's what I'm saying, that there would be some spill over effect of the formulation sales in Q4 as well. So, traction actually would have been better?

Ankur Vaid : Yes.

Harshal Patil: Yes, that's correct. So, just lastly, when we say that we are kind of starting with the injectable mid-next year and gradually increasing it in '26-'27. So, just from an understanding perspective, this would definitely interrupt the contribution or probably the growth of the formulation segment overall. So, just wanted to understand that, what can be the rub-off effect on margins with the share or probably with the growth of formulations getting stronger? Any qualitative comments around that?

Ankur Vaid : Yes. So, as I said that, we have growth levers for both the API and the formulation. So, while the base will continue to grow for both the two divisions, the split is something that we are looking at be somewhere between the 80-20, plus, minus 2%-3% here and there.

So, if you would have seen last year, we were again somewhere around the 80-20 mark. And even now, on a 9-month basis with 20% of growth happening, we are again at an 80-20. So, at least this is playing out to what we had considered and looked at, that while base will grow, the split would remain same.

And this is something that we are seeing as we speak now. And going forward also is something that we anticipate, given that there are growth levers in both the divisions.

Harshal Patil: Alright, sir. This answers my question. Thank you. Thank you for the opportunity and all the best, sir.

Ankur Vaid : Thank you.

Moderator: Thank you very much. Ladies and gentlemen, due to time constraint, we will take that as our last question. And now, in the conference, over to Mr. Ankur vaid for closing comments.

Ankur Vaid: So, thank you, everyone, for joining on our quarter 3 FY '24 earnings call. And we hope we have been able to address all your queries. For any further information, please get in touch with us or SGA, our investors relations advisors. Thank you and have a good evening.

Moderator: Thank you very much. On behalf of Concord Biotech Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.