



SANJIVANI PARANTERAL LIMITED

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Date : February 15, 2024

To
Department of Corporate Services,
BSE Limited,
P J Towers, Dalal Street,
Fort, Mumbai 400 001

Scrip Code: 531569

Subject: Transcript of Earnings Call for the quarter ended December 31,2023

Dear Sir / Madam,

We hereby inform you that an Earnings Call with the Investors and Analysts for the quarter ended December 31, 2023 was conducted on Monday, February 12, 2024.

Please find enclosed herewith the transcript of the Earnings Call. In compliance with the Regulation 46 of the Listing Regulations, the transcript of the Earnings Call will also be available on the website of the Company www.sanjivani.co.in

You are kindly requested to take the same on record.

Thanking you

Yours faithfully,
For Sanjivani Paranteral Limited


Compliance Officer.





“Sanjivani Paranteral Limited
Q3 and 9M FY '24 Earnings Conference Call”

February 12, 2024



MANAGEMENT: **MR. ASHWANI KHEMKA - CHAIRMAN AND MANAGING
DIRECTOR – SANJIVANI PARANTERAL LIMITED**
**MR. SRIVARDHAN – DIRECTOR – SANJIVANI
PARANTERAL LIMITED**
**MR. HITESH KHONA - CHIEF FINANCIAL OFFICER –
SANJIVANI PARANTERAL LIMITED**

MODERATOR: **MS. JILL CHANDRANI – S-ANCIAL TECHNOLOGIES**

Moderator: Ladies and gentlemen, good day and welcome to Q3 and 9M FY24 Earnings Conference Call of Sanjivani Parenteral Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Ms. Jill Chandrani from S-Ancial Technologies. Thank you and over to you, ma'am.

Jill Chandrani: Thank you, Viren. Good afternoon, everyone. Welcome to Sanjivani Parenteral Q3 and 9M FY24 Earnings Conference Call.

From the management, we have Mr. Ashwani Khemka, Chairman and Managing Director, Mr. Srivardhan, Director and Mr. Hitesh Khona, CFO. Now I request the management to take us through the opening remarks after which we can open the floor for question and answer session.

Now I hand over the call to Mr. Ashwani Khemka for his opening remarks. Thank you and over to you, sir.

Ashwani Khemka: Thank you, Jill. Good afternoon, ladies and gentlemen. A very warm welcome to all of you for the Q3 and 9-month FY24 post-result conference call of Sanjivani Parenteral Limited. Before I begin, let me mention the standard disclaimer. The presentation that we have uploaded on the stock exchange, including the interaction in this call, contains or may contain certain forward-looking statements concerning our business prospects and profitability, which are subject to some uncertainties and actual results could differ from those in such forward-looking statements.

Now I hand over the call to Mr. Srivardhan. He will give a brief about the company.

Srivardhan: Hello everybody. Good afternoon. Sanjivani Parenteral is a manufacturing company having two manufacturing units, one near Mumbai and one in Dehradun.

We are mainly engaged into all therapeutic areas, barring anti-cancer and hormonal therapies. We have major focus into exports and we are present in more than 25 countries and continuously expanding. We have been taking important strategic steps in order to capitalize on available opportunities and to make our business more robust and sustainable.

Now I will hand over to Mr. Ashwani Khemka for sharing the financial and operational highlights of the company for the quarter ended and nine months.

Ashwani Khemka: Thank you. In the current quarter, our revenue grew 64% year-on-year to INR149.6 million. The growth was mainly led by better order convergence in the Latin market. Our EBITDA margins were at 13.1% compared to 10.1% in Q3 FY23, showing an improvement of 298 basis points mainly due to better sales realizations. Net profit for the quarter increased significantly 73% year-on-year to INR16.5 million, while the PAT margins for the quarter were 11% as

compared to 10.4% in Q3 FY23, showing an improvement of 59 basis points. Segment-wise performance, the revenue from injectables grew 89% year-on-year.

The oral segment revenue was flattish, while nutraceuticals revenue grew by 27% year-on-year. The revenue mix for the quarter was 35.2% in domestic and 64.8% in exports. Now coming to nine months FY24 financials.

Over the course of the first nine months, our revenue grew 52% year-on-year to INR415.5 million. The growth was primarily led by order conversions from newly exported markets.

Our EBITDA stood at INR60.8 million as against INR42.1 million in nine months FY23, reiterating the growth of 44% year-on-year. EBITDA margins were at 14.6% compared to 15.4% in nine months FY23, due to lower margin realizations in some products. Net profit for the quarter grew 49% year-on-year, while PAT margins for the quarter were 11.8% as compared to 12.8% in 9MFY23. The revenue mix for 9M FY24 was 22% in domestic and 78% in exports.

WHO inspection was carried out in this month and we have cleared it, so it is another addition and it will be benefitting the company. Now over to Jill for any questions and answers if participants are ready.

Moderator: Thank you very much. We will now begin the question and answer session. We have our first question from the line of Ishita Jain from Ashika Stock Broking. Please go ahead.

Ishita Jain: Okay. Thank you so much for taking my question. Sir, could you please provide an update on the status of the HAL project?

Ashwani Khemka: Hi, Ishita. The current status of HAL is under as per the commitment deadline and dates. We have ordered almost 70% of major equipments which are time-consuming and the rest of the SLA equipments are under negotiations.

We have invested INR2.5 crores as of now in the facility. The plant layout is under finalization. Various statutory approvals are in progress. Once the layouts are approved, the civil work would commence probably in this month itself.

Ishita Jain: Okay. Fantastic. So, which quarter are we looking for revenue to start coming in?

Ashwani Khemka: Fourth quarter.

Ishita Jain: Okay. Fantastic. Can you also please give me an update on the Prague packaging line?

Ashwani Khemka: Yes. The Prague packaging line was to commence in the month of February. But due to this Red Sea embargo and the delays in shipments to the equipment's to Prague, the things got delayed and people could not travel. So, now it has postponed and it is delayed up to 25th or 26th of March we are going to open the same. And as committed, first quarter will be accounted into the first quarter of FY25.

- Ishita Jain:** Okay. Understood. And I will just squeeze in one more question and then I will get back in the queue. Can you mention what percentage of revenue has been CMO sales?
- Ashwin Khemka:** The percentage of CMO sales was around 11%.
- Ishita Jain:** Okay. Perfect. I will get back in the queue. Thank you so much.
- Moderator:** Thank you. Thank you. The next question is from the line of Rohan Jaiswal, an Individual Investor. Please go ahead.
- Rohan Jaiswal:** Okay. So, thanks for the opportunity and congratulations. So, I just wanted to know that any update on existing plans, upgradation plans?
- Ashwani Khemka:** Yes. Hi, Mr. Jaiswal. The existing plans are under the upgradation schedule and we are first picking up the tablet facility in Dehradun for the approval in the Latin market. So, both inspections are lined up in the month of end of March and beginning of April. After this completion, then we will apply for various other countries who have individual inspections of regulators to our plants.
- So, that will be processed in the next year and the plant upgradation is going on. And all details will be given to you in Q4, after April 24th, in detail.
- Rohan Jaiswal:** Okay. And one more question. So, any updates on plans on entering in Francophone Africa markets?
- Ashwani Khemka:** Yes, we are entering Francophone African markets and we have scouted our agents and distributors there. Negotiations and agreements are in the process and this will kick off, say, by April 2024, the first quarter of 2025. And the selection of products and everything is done by the regulatory team. They are working on that.
- Rohan Jaiswal:** Okay. That was helpful. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Nishant Sharma from Nuvama Wealth Research. Please go ahead.
- Nishant Sharma:** Thank you for the opportunity, sir. Sir, I have recently started looking at companies. Just wanted to understand that in terms of gross margin, we are witnessing pretty much volatility in the last three quarters, specifically, if I say so. And also, the EBITDA margin is witnessing contraction on a sequential basis. So, can you just help us understand what is happening and why there is such trend in these two pointers?
- Srivardhan Khemka:** Yes. Hi, Nishant. I will take that question for you. So, in the past three quarters, the company has added a lot of new products to the portfolio. And as is the case always, whenever we expand a product portfolio, the margins tend to drop. Once these products are streamlined and the supply chain is streamlined, the cost efficiencies will kick in and the margins will return to their healthy levels.

- Nishant Sharma:** Generally, how much time it takes for such normalcy to come back post the product, I mean, new product addition?
- Srivardhan Khemka:** It depends on product to product and what kind of volumes we are experiencing. So, sometimes it takes around six months to 18 months.
- Nishant Sharma:** Generally, this would be a phenomenon where in every quarter we might be adding some or the other new products. So, I mean, how should we look at this going forward in terms of the margin?
- Srivardhan Khemka:** So, the company aims to add new products every quarter. That is right. But how much share of the revenue comes from that new product will impact our blended gross margins. So, every quarter it should not impact our books heavily. But in case we end up taking a product, which is a big chunk of our revenue, it will show up.
- Nishant Sharma:** Okay. And in terms of capex, I missed out, sir has mentioned that we have already ordered 70% equipment in the Hindustan Antibiotic JV. What is the total capex that would be required and how much we have already spent on that?
- Ashwani Khemka:** Yes. The total capex required will be to the tune of around INR35 to INR38 crores. And around 10% we have invested so far.
- Nishant Sharma:** Sure. I'll fall back in queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Kabir Ravant, an Individual Investor. Please go ahead.
- Kabir Ravant:** Thank you. I just had a couple of questions. How has been the performance of our key geographies in the nine months and this year. And also, like, did we enter any new geographies over these nine months?
- Ashwin Khemka:** Yes. See, the key geographies in nine months, say Central America, we have entered five countries like Guatemala, El Salvador, Honduras, Nicaragua, Dominican Republic. Latin America, we opened up Ecuador. Our company is working hard to enter new geographies and we will disclose the same as something concrete is finalized.
- Kabir Ravant:** Okay. So, like, if over the next two to three years, like, would we plan expansion into, like, further more geographies?
- Ashwani Khemka:** Yes.
- Kabir Ravant:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Anupam Agrwal from Lucky Investments. Please go ahead.

- Anupam Agarwal:** So, I actually wanted to understand the drop in the tablet business and the nutraceutical business for the quarters. Can you highlight the point as what led to the decline? Sir, I wanted to specifically ask for this quarter, we've seen a decline in the tablets and the nutraceutical business. Can you highlight some points as to why this fall is visible?
- Srivardhan:** Yes, I'll take that for you. So, in the oral segment, we are facing a lot of stiff competition in the market that we are present in. And there is a lot of pricing pressure as well. We see that there have been a lot of new factories that have opened up in the past two years when the COVID had relaxed the regulations and registration guidelines.
- So, those people are quoting in the products and dropping the market. However, we see that now the regulatory aspect is coming back and the companies with fast data track record are being kept in the chain and the newcomers are being weeded out. So, the drop in the revenue will eventually come back in the oral segment.
- Anupam Agarwal:** Yes, I'll ask my second question. We see a steep increase in the other expense line item from INR1.9 crores to INR3.8 crores this quarter compared to last year. Any reason behind such a steep increase and what exactly drives this jump?
- Srivardhan:** So, we have seen sales growth and as a ratio of the sales growth, the other expense line item has increased by 5% year-on-year. This was due to some expenses that we have incurred in the development of new products and opening of the new JVs that we are active in. And there were some commissions also that were booked, the payment of which was realized a little late. Hence, the other expense has gone up for this quarter. We see it coming down and normalizing again by the next quarter.
- Anupam Agarwal:** So, what I understand is it's sort of a front-ending cost that you booked for the JVs. What portion of that is this in the other expense line item?
- Srivardhan:** I will have to come back to you with those numbers.
- Anupam Agarwal:** Okay. Any split you can give as to how much is fixed and variable expense?
- Srivardhan:** Just a second. Around 30% is fixed and 70% would be variable.
- Anupam Agarwal:** Okay. My third question, sir, is across the three segments that you report, can you broadly call out the margins that we make in each of these segments?
- Srivardhan:** It would be difficult to disclose these margins as of now. Since we are in the very growing phases, it's very fluctuating. We would like to come back to you on maybe two or three quarters down the line.
- Anupam Agarwal:** Fair enough. No issues. Thank you so much. I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Kiara Singh, an individual investor. Please go ahead.

- Kiara Singh:** So congratulations on the good set of numbers. So as you have reported, there has been a drastic change in the injectables that we see on a year-on-year basis. So could you shed some light and help us understand what has changed on the injectables front?
- Srivardhan:** Thank you, Kiara. So what we've seen is in the injectables segment, the demand is going up and we are seeing increased demand from newer geographies as well as increased size of the orders from our existing customers and markets. Due to our long history in the injectables space and a clean track record, we are enjoying that benefit where people are approaching us and hence the market for injectables is growing.
- Also, on the other hand, we face stiff competition in the oral segment, as I mentioned before. The revenue share and the ratio seems tilted. But we see that the oral solid will normalize after two, three quarters and the segment breakup will become normal.
- Kiara Singh:** So going forward, could we expect injectables to grow on the same front or something?
- Srivardhan:** Ideally, yes. We are expanding into the newer geographies and also adding new products to our portfolio. So we see rapid growth in the injectables space.
- Kiara Singh:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Akash Varma, an individual investor. Please go ahead.
- Akash Verma:** Thank you for this opportunity. As you had mentioned regarding the geographies, would you like to share how do you see the geographical mix going forward? And what would be the percentage share between the exports and the domestic regions going ahead?
- Srivardhan:** So we are aimed at maintaining the 75-25 export domestic mix. Going forward, the focus is always going to be on export. But due to our long-lasting relationships in India, we have managed to generate business on the domestic front as well. And the ratio seems to be stable. Regarding export geographies, we see Latin to grow faster than other geographies. So you might see the growth in that portion of our sales.
- Akash Verma:** Okay. And in exports, what all geographical areas would you be aiming for in future?
- Srivardhan:** So we are looking at expanding into newer countries in Latin America. Apart from that, we are also focusing on Francophone countries and some of the East African countries.
- Akash Verma:** Okay, thank you. This is all from my side.
- Moderator:** Thank you. The next question is from the line of Nishant Sharma from Nuvama Wealth Research. Please go ahead.
- Nishant Sharma:** Thank you for the opportunity again. Just wanted to understand the new product which we have launched recently. Are these more in the injectable side or the tablet side? Because generally we see injectables to be better margin segment compared to tablets or it's vice versa?

Srivardhan: Generally, we see better margins in injectables. However, the newer products that we are adding are not segment specific. We are looking at therapeutic areas which we want to focus on. And we are focusing more on chronic diseases. So the mix of products which are being added to our portfolio is not stable. As I would say, sometimes it's more injectable, sometimes more oral.

Nishant Sharma: Just wanted to have a sense that since the margin saw some contraction in the last three quarters. And at the same time, we are seeing that the injectables segment revenue is growing. But the margin is declining. So just wanted to have a sense that if we are adding more on the tablet side, whether that is affecting our margins or whether the volume which is getting impacted? I'm just trying to sense why margins are contracting despite adding products on the injectable side or anything like that?

Srivardhan: I actually mentioned this in an earlier question. When we add new products, the cost efficiencies of those products are not there. The more we streamline the supply chain of those new products, we are able to get a better margin out of those products. Since we are adding new products rapidly, the margin seems to be declining. It is not due to any injectable or oral, but just for the fact that it is a newer product.

Nishant Sharma: And by setting up Prague facility, we mentioned in some of the earlier presentations that there could be around 20% to 30% cost competency vis-à-vis import or reduced export. So how do we see that flowing in margins and what kind of savings we can expect or what kind of delta we can see in the margins because of Prague?

Srivardhan: So I think there is some misunderstanding. We are planning to access better developed markets via the Prague facility, like the European and American markets. Having a facility in Prague with our Indian expertise is going to create cost efficiencies in that unit. So our cost over there will be low and we will be selling in better markets which offer higher margins. So that is how we will be building up a better healthy margin in that joint venture.

Nishant Sharma: And what is the total capex at company level that we are seeing? Like you mentioned that INR30 crores, INR35-odd crores will be required for Hindustan Antibiotic. Likewise, Prague and other existing facilities, what kind of a capex are we foreseeing?

Ashwani Khemka: I will take this question. As you must have seen in the earlier presentations, in HAL Sanjivani will be owning 60% and in Prague also it is 45%. In Prague the investment has already been done. It is to the tune of INR3 crores and INR3.5 crores and in HAL it will be INR24 crores.

And in the current upgrade of the facilities, both the facilities will be needing around INR4 crores to INR5 crores. So this total will be around INR31 crores. Out of INR31 crores, INR5 crores has already been invested and the funds are lined up through the preference as well as the internal accruals of the company.

Nishant Sharma: Sure, thank you.

- Moderator:** Thank you. The next question is from the line of Kiara Singh, an Individual Investor. Please go ahead.
- Kiara Singh:** Sir, just a quick question. What is the current capacity utilization we are at for orals and injectables?
- Srivardhan:** For injectables we are at 70% and for orals it is at 35%.
- Kiara Singh:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Akash Verma, an Individual Investor. Please go ahead.
- Akash Verma:** Thank you. I would like to know that can you focus on the overall capabilities that you are building? For example, manufacturing, marketing, research and development. Can you help us understanding your efforts and plans here?
- Srivardhan:** So, Akash, on the manufacturing front, we are trying to upgrade our plans for regulatory approvals from better countries, ROW and semi-regulated. That will enable us to access these markets and increase our addressable market. Since we have a lot of molecules developed on our front, around 135, we want to access more and more places where we could sell these same products.
- On the R&D front, we are focused on developing newer products and adding to our portfolio. Around 15 to 20 products are under pipeline, which every year we would like to add to our portfolio.
- Akash Verma:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Vishvanath, an Individual Investor. Please go ahead.
- Vishvanath:** Yes, good afternoon. I just wanted to know that what is your present market share with respect to export and domestic? And what is your plan for the next 2-3 years?
- Srivardhan:** Yes, it is already mentioned in our presentation. Ideally, we are at 75%-25%, 75% export and 25% domestic. And that is going to be our optimal level, which we would like to maintain.
- Vishvanath:** My question is a little different. Market share with respect to other, what is the total, your presence?
- Srivardhan:** So, every country is dynamic. Some countries we have been present for 15 years. Some are very newer geographies, which we are present for last 4-5 years. So, depending on the market and the product, we are having different market shares.

Also, we are competing on the Government tenders also, as well as private market. It is difficult to comment on a market share specific to a region. In some countries, although we are leaders in certain products, which are going to the Government tenders.

Vishvanath: Okay. And what is the profit share? That your profit is more in export or domestic in terms of percentage?

Srivardhan: It is more in export.

Vishvanath: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Akash Verma, an Individual Investor. Please go ahead.

Akash Verma: Hello. Just wanted to understand that what is the update on the Dehradun upgradation plan?

Ashwani Khemka: Dehradun facility is under upgradation mode right now. And we are having an inspection in the end of March and first week of April from a country from Latin.

And once that approval goes through, we are going to get automatically approved in 3 to 4 countries of Latin area. And going forward, during the year end of 2024, we may trigger for East European country approval also.

Akash Verma: Yes. Thank you. And also wanted to know that how are you planning to expand the management team in light of the fundraiser?

Ashwani Khemka: See, management team is under expansion mode. And we hired an HR company also. Scouting for good men in the market as well as in international market as well.

Brands are going on and teams are being added and expanded. And every month one or two new senior people are joining the company. And I could add more here also that the board is also going to expand with a few very senior people in the industry. And renowned faces.

Akash Verma: Okay. And also on the HAL, how should we look at the key events going on ahead?

Ashwani Khemka: See, actually we have already started the activity there. The machines have been ordered and the site inspection, the layout and consultants are there in the place. And as committed that we are going to start in the month of October 2024, it will be strictly on that deadline and maybe 15-20 days before that also.

And all the approvals and the statutory requirements are being fulfilled and those are in the process. So we may be starting some construction in this month and the machines are expected to arrive in India. Some are imported, some are local in June and July.

Akash Verma: Okay. And also, regarding the future revenue, is there any aspirational revenue numbers for FY '27 and FY '28?

Ashwani Khemka: Yes, we have already given a few presentations earlier also. These are underlined and the company is growing exponentially. And as we committed this year also, we closed at a good number, which was told in the last con call.

And going forward in the coming years also, the company is poised to report good results and good revenues. As we have got good tie-ups and good market access available at the company's disposal. And the plants are very well equipped to pass the inspections and audits as well.

Akash Verma: Okay. And wanted to ask that what is the employee count at Dehradun and Navi Mumbai plants? And what are the plant additions?

Ashwani Khemka: See, Dehradun we have around 77 people are there. And Mumbai plants we have around 98. In the field we have got around 18 people.

And the head office comprises of around 30 people. So, the net addition going forward will be around 15 to 20 senior management people will be joining in the company.

Akash Verma: Yes, thank you so much. That's it from my side.

Moderator: Thank you. A reminder to all the participants, you may press star and one to ask a question. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Ashwani Khemka for closing comments. Thank you and over to you, sir.

Ashwani Khemka: Yes, thank you everyone for hearing us on the on-call. And I hope we have given all the information which has been asked. And once I would like to say that the company is on the right track and right path.

And whatever has been assigned and what I have been there is deliverable. And we hope and good to have in the next con-call that when the process will be operational. We will share the details on that and latest updates on the actual site.

Thank you very much for everyone patiently listening to us.

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