



SANJIVANI PARANTERAL LIMITED

205, P. N. Kothari Industrial Estate, L.B.S. Marg, Bhandup (W), Mumbai - 400 078, Maharashtra

Date : October 25, 2023

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 second quarter ended September 30,2023

Dear Sir / Madam,

We hereby inform you that an Earnings Call with the Investors and Analysts for the quarter ended September 30, 2023 was conducted on Thursday, October 19, 2023.

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.sabnjivani.co.in

You are kindly requested to take the same on record.

Thanking you

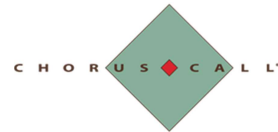
Yours faithfully,
For Sanjivani Paranteral Limited

Compliance Officer.





“Sanjivani Paranteral Limited
Q2 FY '24 Earnings Conference Call”
October 19, 2023



MANAGEMENT: **MR. ASHWANI KHEMKA – CHAIRMAN AND MANAGING
DIRECTOR – SANJIVANI PARANTERAL LIMITED
MR. SRIVARDHAN KHEMKA – 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 Sanjivani Parenteral Limited Q2 FY24 Earnings Conference Call. 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Jill Chandrani. Thank you and over to you ma'am.

Jill Chandrani: Thank you, Michelle. Good morning, everyone. Welcome to Sanjivani Parenteral Limited Q2 and H1 FY24 Earnings Con Call. From the management, we have Mr. Ashwani Khemka, Chairman and Managing Director, Mr. Srivardhan Khemka, Director, and Mr. Hitesh Khona, Chief Financial Officer.

I now request the management to take us through the key opening remarks. After that, 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 morning, ladies and gentlemen. A very warm welcome to all of you for the Q2 and half year 24 post-results conference call of Sanjivani.

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. To start with, now I hand over to Srivardhan Khemka, he will give a bit background of Sanjivani.

Srivardhan Khemka: Good morning to everybody. Let me give you a brief introduction on Sanjivani. We are 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 therapy. 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.

The macro environment remains conducive in segments we operate in and the industry growth is optimistic. Sanjivani is agile and remains focused on optimizing the product portfolio according to market demand and this reflects in our strongly improving operating and financial performance.

While we discuss our quarterly and half yearly performance shortly, we are seeing strong tailwind in key segments and key geographical areas. We continue to invest judiciously in an attractive mix of short term and long term growth opportunities and this remains the strong driving force of our business and for stakeholders.

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

Ashwani Khemka:

Yes, once again, welcome. In the current quarter, our revenue grew 68% year-on-year. The growth was mainly led by expansion in new geographies along with product mix. Our EBITDA margins improved 1.5% year-on-year. EBITDA margins were at 15.1% as compared to 13.6% in Q2 FY23, showing an improvement of 150 basis points mainly due to command in price.

Net profit of the quarter increased significantly, 123% year-on-year, while PAT margins for the quarter were 12.2% as compared to 9.2% in Q2 FY23, improvement of 300 basis points. Segment-wise performance, the revenue from injectable grew 37% year on year. The oral segment revenue grew 105% year-on-year, while nutraceuticals grew 104% year on year. The revenue mix of the quarter was 20% in domestic and 80% in exports. Within our key markets, CIS countries grew 208% year-on-year, and Middle East and Africa grew 182% year-on-year.

Now coming to the financials, for first half year of 2024 fiscal, our revenue grew 46% year-on-year. The growth was mainly led by product mix. Our EBITDA margins improved 1.5% year-on-year. EBITDA margins were at 15.5% as compared to 18% in Q2 FY '23. Net profit for the quarter grew 27% year-on-year while PAT margins for the quarter were 12.2% as compared to 14% in Q2 FY '23.

Segment-wise performance, the revenue from injectable grew 22% year-on-year, the oral segment revenue grew 73% year-on-year, and Nutraceuticals revenue grew 22% year-on-year. . The revenue mix for the first half of 2014 is 19% in domestic and 81% in exports.

Moving to the highlights of the first half of 2024, the company added 28 new products. During the second half of FY23-24, the company plans to add 15 new products. During the first half of 24, we entered into new geography of Central America, such as Nicaragua, Guatemala, El Salvador, and Honduras.

Now let me provide you with an update of the new business development for which the company and the team is very excited about. As you all be aware and we have announced in the stock exchange as well, in the month of August that we have entered into a joint venture with Hindustan Antibiotic Limited, a public sector enterprise of Central Government of India for manufacturing of intravenous formulation and IV set. The plant will be set up in the premises of Hindustan Antibiotic Limited, Pimpri, Pune, Maharashtra with a monthly capacity of 50 lakh bottles and annual capacity of more than 6 crore bottles, IV fluid bottles and 10 lakh IV sets per month. The plant will be commissioned by Q3 of FY '25.

This is the tentative. And second is we have also entered into Joint Venture in Czech Republic Prague in the month of July. The plant will be commissioned in November 23 or beginning of December. This plant will be mainly for nutraceutical marketing and entering into new geographies of Europe and Central America and Latin America.

Now, I will give the line to Jill.

Jill Chandrani:

We can open the floor for question-and-answer session.

- Moderator:** Thank you very much ma'am. We will now begin for question and answer session. The first question is from the line of Ishita Jain from Ashika Stock Broking. Please go ahead.
- Ishita Jain:** Congrats on a good quarter and also congrats on your first con call. So my first question is in terms of region-wise splitter revenue, can you give us some color on which geography is better margins for us, or which geographies we are focusing more on versus others? Because, you know, the pie has drastically changed, the distribution has drastically changed Y-o-Y for the better. And so how would this pie change over the next couple of years?
- Ashwani Khemka:** Yes, hi, welcome, Ishita. If you see the company's presence and the better margins you are talking about, it is Latin market and Central America. So, Latin America and Central America is a market where high margins are there, and we have currently around 30 verifications in this market, and this is increasing. Gradually, there are pipelines of more than 25 to 30 more products, which will increase year-on-year and it's going to give us a good margin and good top line and also, the presence of the company in the metro area.
- Ishita Jain:** Okay, fantastic. So the pie in the next couple of years would have more share from Latin and Central America. Is that what you're saying?
- Srivardhan Khemka:** Right.
- Ishita Jain:** Okay, excellent. My second question is for the Prague project. You mentioned that this is going to be mainly focused on manufacturing nutraceuticals. You also said that we are also marketing these nutraceuticals. I just wanted to understand, what is the scope of work for the Prague line? Is it marketing focused or is it going to be a CMO kind of a setup? Is its own brands or is it manufacturing for somebody else?
- Ashwani Khemka:** This Prague project is basically for nutra market and nutra has got five varieties; tablets, capsules, puffed gelatine, pouches and syrup in the pouches form. We were not having presence in the European market and East European market. So here, we will be having focus on the marketing as well as white labels.
- So having the facility there, we get access to European market, some markets in Canada and the entire Middle East. So there are no registration hassles or burdens on there, so it will be for both of us.
- Ishita Jain:** Okay, understood. If I could just squeeze in a short third question. So just cost of materials consumed has doubled, Y-o-Y. Could you throw some light on it?
- Srivardhan Khemka:** See, this year we have expanded our product portfolio and we have entered into some products which are working on low margin as we are trying to penetrate the market. That is why the cost of material seems high, but we are optimizing our supply chain and in the coming quarters, it will improve.
- Ishita Jain:** Okay, got it. Thank you, gentlemen. Now all the best. I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Darshit from RoboCapital. Please go ahead.

- Darshit:** Yes, hi. Sir, congrats on a good quarter. I just wanted a view on revenue and EBITDA/PAT margins going forward in the next two years, three years, and if there are some key drivers there?
- Ashwani Khemka:** Yes. See, as you know, we have performed well over the past two quarters and we continue to maintain the same momentum as we saw in FY '23. We are on the same line and you will be seeing the results.
- Moderator:** Okay, thank you. We'll take the next question from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Okay, thank you very much sir for taking time out for this call. Sir, first of all, I just wanted to understand on the opportunity we are talking about here on the JV with the Hindustan Antibiotics. So we've spoken about the capacities as well as the first phase, we are on track to commissioning by third quarter of FY '25. But in terms of opportunity size, what sort of revenue and what sort of margin that this business can see and what's the revenue potential, and what our share would be 50% since it's a JV, so some color on that would be quite helpful, sir?
- Ashwani Khemka:** Yes, see both the projects are very promising and we are optimistic on the growth potential for the same. In due course of time, we will share the numbers for the same. Trust us, we will over deliver on our commitments.
- Deepak Poddar:** No. So I just wanted to understand in terms of rupees crores, what is the opportunity size there for us?
- Ashwani Khemka:** It is too soon and to give this data in the market. We will be giving it in due course of time. Very soon, we will be sharing this in second con call, when we have third quarter.
- Deepak Poddar:** Third quarter con call, you will share about the economics of this JV, right?
- Ashwani Khemka:** Yes.
- Deepak Poddar:** Okay. Fair enough, understood. And my second question is on your margins. Now if I have to look at last eight quarters, 10 quarters, our margins has been quite volatile, we had done 25% margin as well, and at the lower end, 13% as well. And so, what is driving this volatility in our margins? And going forward, what sort of steady state margin one can work with like in the near future?
- Ashwani Khemka:** The last quarters which you have been talking about, those were of COVID times. So where in the company demands were high margins were good, changing and all. But our margins, what we have been showing on, it will be stabilizing within by this year end and now we are on the growth path. We have entered new geographies, wherein in the first answer I have said it, the Latin and Central America, we will be having a very good presence, which will be taking care of the bottle-line in a nicer way.

- Deepak Poddar:** Okay. So basically, the 15%, 16% margin we are currently seeing, right? So that is, a steady state margin and it will going to improve because of your entry into this new market that you just...
- Ashwani Khemka:** Good things are happening for our company and we are all hopeful that, our stakeholders will be having a good time to come.
- Deepak Poddar:** Fair enough. I got it, I think, that's it from my side. All the very best to you, sir. Thank you so much.
- Moderator:** Thank you. We'll take the next question from the line of Varun Mehta from Wealth Link Investments. Please go ahead.
- Varun Mehta:** Yes. First of all, I would like to congratulate the management for turning around the company. It's a remarkable story. So basically, I wanted to understand on this Prague thing, how much investment you are making there and what it had been. Suppose you're not giving the numbers or something just to worry for you, but anything on the margin front, if you can just share some idea on that? And what kind of return we are expecting on our investment there?
- Ashwani Khemka:** The investment in the Prague project is very less compared to this and it is around \$600,000 to \$800,000 from our side. The revenue potential is very high and those numbers and all the details will be there with you after the Q3 results.
- Varun Mehta:** And going forward the company is quite sure of -- we are being debt free, so we won't be taking any more debt and...
- Ashwani Khemka:** Currently, we are not in the position. In the third quarter, we will come back with that, with our HAL JV coming to picture, we will see and tell the details.
- Varun Mehta:** And any investment, are you looking for some partners or some investments by the promoter in the company to do all this investment, all this capital expenditure we are looking at?
- Ashwani Khemka:** Yes, capital, we are looking at it, but we will come back to this on very soon.
- Varun Mehta:** Okay, all right, thank you so much.
- Moderator:** Thank you. We will take the next question from the line of Vaibhav from Honesty and Integrity Investments. Please go ahead.
- Vaibhav:** Hi sir, thanks for the opportunity and congratulations for the remarkable turnaround of the company. I just want to know a few things. So first of all, as of now, I'm not talking about the Hindustan Antibiotic JV or Prague JV, but as of now, in terms of capacity utilization, what is our utilization as of now, say, for the last quarter? And what is the maximum that we can reach?
- Srivardhan Khemka:** Thank you. So, our injectable unit we are operating at around 70% capacity and our oral solid unit we are operating at 40%. Going forward, we plan to increase the capacity utilization at the oral solid plant. The injectable we are not focused on going higher than 75 as it is not advisable

to expand capacities in injectable units as that leads to problems in regulations. Currently, there are a lot of outsourcing capacities available at other plants and we are catering to our demand using those facilities at very discounted rates.

Vaibhav: Got it, understand. And in terms of exports, we have seen as per the presentation you have given the exports to Middle East have kind of jumped a lot. So, if you help us understand what are the key reasons that we have seen such a sharp jump in export to Middle Eastern countries like; Jordan, Iran and all those kind of places situated in Middle East? And do you think that they will get affected because of what is happening in the Middle East currently?

Srivardhan Khemka: So, see, those markets we have expanded recently. These markets are very high demand markets and it takes time to break into these markets. So we were in process to enter these markets since last three, four years. Finally, it has cracked and our product portfolio is growing in these markets.

Regarding the war situation, it is bound to impact the market in a certain way, but we expect demand to keep rising as we have seen that in war zones usually there is a lot of demand for medicines as there is a lot of casualty and injury.

Vaibhav: And this success in terms of this thing is it -- most of our exports is government driven I mean is the some kind of government agency procuring our product or there are private parties who are procuring from us?

Ashwani Khemka: See, we have our authorized distributors and long-term partners in various countries. We're doing for more than 10 years. So on our behalf they participate in the government tenders in the respective countries. Directly we do not participate because there are so there are many hazards are there like timeline, penalties and all those things so they take care of this.

Vaibhav: Okay, got it. And then lastly from my side, so earlier in the cycle, say from 2012-13 to 2018, company has faced lot of problems, lot of issues, so if you can help us understand what are the, two or three learnings from that phase and what are the things that you would like to avoid in future so that we can understand the future path better?

Ashwani Khemka: Yes. This we can answer offline in detail if you have this question or you can write to us and we will reply you on that and you can fix up a time with our IR and they will connect with me and we will explain you in detail on this subject.

Vaibhav: Okay, no problem that's it from my side sir. Thank you.

Moderator: Thank you. We will take the next question from the line of Pranav Shah, an individual investor. Please go ahead. Mr. Shah, I will request you to kindly re-join the queue as we are unable to hear you.

Ladies and gentlemen, as there are no further questions, on behalf of Sanjivani Parenteral management, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.