"Indoco Remedies Limited
Q3 FY2024 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Q3 FY2024 earnings conference call of Indoco Remedies Limited hosted by Dolat Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Rashmi Shetty from Dolat Capital. Thank you and over to you Madam!

Rashmi Shetty: Thank you Manav. Good afternoon everyone. I Rashmi Shetty, on behalf of Dolat Capital I welcome you all to the Q3 FY2024 earnings concall of Indoco Remedies. I would like to thank the management of Indoco Remedies for giving us this opportunity to host the call. Today from the management we have with us Ms. Aditi Panandikar, Managing Director, Mr. Sundeep V Bambolkar, Joint MD and Mr. Pramod Ghorpade, CFO. I now hand over the call to the management for their opening remarks. Over to you sir.

Pramod Ghorpade: Thank you Rashmi. Good afternoon everyone. I am Pramod Ghorpade. Thank you all for joining this call today. Let me draw your attention to the fact that on this call our discussion will include certain forward-looking statements which are projections or estimates about our future events. These estimates reflect the management's current expectations of the future performance of the company. Please note that these estimates involve several risks and uncertainties that could cause our actual results to defer materially from what is expressed or implied. Indoco does not undertake any obligation to publically update any forward looking statements whether as a result of new confirmation, future events or otherwise. Now I will hand over the mic to our managing director Ms. Aditi Panandikar for her opening comments.

Aditi Panandikar: Thank you Pramod and thank you everyone for joining us this afternoon. Today's business environment is very dynamic. Factors such as geopolitical stability and global warming have started affecting businesses across the globe. In India too we have felt the impact of the respiratory season not coming in for example. In such a dynamic environment, team Indoco is firmly committed towards its growth prospects. Our team is committed and motivated to achieve the long-term objectives of the organization.

I would begin by wanting to share some key business highlights of the organization. In this quarter, we received the tentative ANDA approval for Canagliflozin, the SGLT2 inhibitor 100mg and 300mg tablets from the USFDA. Our Goa plant 1 also received the EIR from USFDA for a pre-approval inspection that had been conducted at the site earlier. Indoco Analytical Solutions our service business has been awarded with the prestigious best customer service provider in Pharma and Healthcare award at the second edition of Pharma and Health Tech Summit and Awards in 2023 in recognition of setting new standards within the industry, dedication to understanding the unique needs of each client and attention to detail and willingness to go the extra mile in their field of expertise. In the domestic market subsequent to successful launch of Belatin-M in Montelukast combination tablet **audio cut 3:58** Belatin-M suspension was also introduced in this quarter. We also introduced the product Ligilac under the vitamins, minerals and nutrition segment in the Indian market. Indoco also received the prestigious SAP Ace award 2023 in the game changer category awarded by the Indus SAP community and the SAP India in recognition of Indoco's outstanding achievements in its digital transformation journey. The organization continues its IT enabled projects in the field of operations, human resource management and regulatory and quality areas. Indoco has successfully been pursuing its process development initiatives, expansions programs on scheduled time and is focused on ANDA D filing process. We continue to be on the growth trajectory and are aimed at achieving our set targets. That is all from me. I will now hand over to Mr Sundeep to share the financial highlights.

Sundeep V Bambolkar: Thank you Aditi. Good afternoon everyone. Hope you all are doing fine. Let me first begin with the financial highlights. Net revenues of the company for the Q3 FY2023-FY2024 grow by 9.2% at Rs.4,484 million compared to Rs.4,106 million for the same quarter last year. For the nine month ended December 2023 revenues grew by 9.6% at Rs.13,268 million as against Rs.12,101 million for the same period last year. EBITDA to net sales for the quarter is 14.6% compared to 15%. EBITDA to net sales for the nine-month ended is 15.1% compared to 18.2%. Profit after tax before exceptional items to net sales for the quarter is 6.3% at Rs.282 million compared to 6.8% at Rs.279 million for the same quarter last year. Profit after tax before exceptional items to net sales for the nine-month period is 6.6% at Rs.873 million compared to 9.6% at Rs.1,160 million. Earnings per share for the quarter is Rs.2.17 compared to Rs.3.02. Earnings per share for the year to date is Rs.8.57 compared to Rs.12.59 for the same period last year. Above numbers are on standalone basis. We have declared results with consolidation which include results of our subsidiaries.

Domestic formulation business, revenues from domestic formulation business for the quarter grew by 4.4% at Rs.2,126 million as compared to Rs.2,036 million for the same quarter last year. Major therapeutic segments namely cardiology, urology, stomatology, ophthalmology, and vitamins performed well during the quarter as compared to the same quarter last year.

Now on the international formulation business front, revenues from international formulation business witnessed growth of 4.6% at Rs.1,947 million compared to Rs.1,861 million. Revenues from regulated markets for the quarter degrew by 2.8% at Rs.1,475 as against Rs.1,517 million. Revenues from US business for the quarter grew by 43.2% at Rs.863 million as against Rs.603 million. Revenues from Europe for the quarter are at Rs.582 million and have degrown as against Rs.860 million. Revenues from South Africa, Australia, and New Zealand are at Rs.30 million compared to Rs.54 million. Revenues from emerging markets for the quarter grew by 37.3% at Rs.472 million as against Rs.344 million. Revenues from API business for the quarter grew by 105% at Rs.333 million as against Rs.162 million. Revenues from AnaCipher CRO and Indoco Analytical Solutions for the quarter grew by 70% at Rs.78 million against Rs.46 million. That is all about the highlights for this quarter. I now request participants to put forth their questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sudarshan Padmanabham from JNP Mutual Funds. Please go ahead.

Sudarshan P: Thank you for taking my question. Sir I would like to understand the update on the Goa 2 plant? I mean the Goa 1 plant has seen some kind of positive development so when is the inspection expected and what is your outlook on the Goa 1?

Aditi Panandikar: Yes so we have not received any further updates from FDA regarding the exact dates for audit, etc. As soon as we hear it I think if it is a preannounced inspection you will hear about it too.

Sudarshan P: Sure and with respect to the cost in the Q4 was there a sizable remediation cost that was there in the Q4? I mean some color on how do we expect the remediation cost as we move towards FY2025?

Aditi Panandikar: So I think I said it in the last call also that for two to three quarters, we are expecting similar levels of remediation costs and this quarter as well we have had similar remediation costs that is the expenditure on the remediation partner as well as on certain other improvements that we have to do at the site to meet up with the FDA expectations and I expect a similar level of cost structure even in the next quarter.

Sudarshan P: Sure madam and with respect to the US business in the Q3 I mean have we seen any profit booking from the Brinzolamide or is the component being lower in this quarter?

Aditi Panandikar: So we as a basket we have profit share across a lot of products so there is a good improvement seen in total profit share earned for this quarter not specifically just coming from Brinzolamide.

Sudarshan P: And should it be right that the Q4 if you are looking at it we had earlier embarked with the Rs.300 Crores kind of target are we on course with that or is there any change to that and some color on how we expect FY2025 and FY2026 to be madam?

Sundeep Bambolkar: As we said futuristic statements not everything is under our control. Geopolitics is playing a huge spoil sport but still we are trying our best. Last year we had done Rs.266 Crores and this year we will end up very close to the figure you mentioned.

Sudarshan P: Sure and on the European business I mean we have seen this declining sharply one is there any specific product or is there any specific reason or is it something to do with the Red Sea? I mean how do you see this development with respect to the Red Sea affecting this part of the business and other exports?

Aditi Panandikar: Yes so this quarter's performance does not yet have any impact of the Red Sea issues. I think the Europe picture that you are seeing is largely an impact of Paracetamol from one customer orders steady state not coming in possibly because they are overstocked. I do not see anything else. Given about the future and how the Red Sea matter will impact us or not our logistics team is trying very hard to bring down the impact it will add to us but we will have to wait and see.

Sudarshan P: Sure man and as you mentioned on the remediation cost and we still are a little uncertain on Red Sea I mean the transportation costs are more than double there how do we see the margin panning out because one is you have a cost that is being built? The second is a lot of our facilities are underutilized and there can be a lot more operating leverage that can come even from the domestic business so if you can give some color with respect to your aspiration in the medium term and the long term as far as margins are concerned?

Aditi Panandikar: So we have kept our Goa site for US sales and amongst those plants, plant two as such is running at good capacity utilization with the Ophthalmic and injectables and given the Red Sea matter I do not think the sales could get impacted too much. You would just have to look at the additional freight cost if anything and then consider margin so I do not think your concerns are going to result into underutilization of capacity in any way. On plant one which is a solid oral site today we have some business for US which is really small but there was a PII which was successful and we hope to get more approvals going forward. We also continue to make certain amount of Europe supply from this site and more importantly as you know we also have a very solid India business so we are looking at as and when required we can always bring in that production so I do not think that capacity not getting utilized will impact us. Having said that there is a high level of efforts at the highest levels are on across all sites to bring down operational costs and you might have seen in these results we talked of an exceptional item of about Rs.8 Crores which is what we have incurred towards VRS at one of our sites in Goa so we are looking overall at bringing down cost of operations also. Coming to the Baddi site this has now got all European approvals and except for one Paracetamol which against the expected forecast has not done up to expectation. Other products at Baddi are doing decently all right so we have to wait and see so unless Solidol to US get impacted because of freight issues and that creates some kind of margin pressure all of that how it impacts us, we have to wait and see. As of now majority of our exports to US in particular are going from plant two and they are the lightweight small volume of injectable products.

Sudarshan P: Definitely on the margin side specifically I mean from the current level even if I exclude the Rs.8 Crores I mean the numbers do not necessarily reflect the kind of strength that you have on the domestic side and probably a little bit colored on the export side because of the remediation cost so what is it that one should realistically expect say and just I am not looking at say the next quarter or so but say as you start ramping up on both sides of the business?

Aditi Panandikar: Yes so as I always say India business is about primaries but the real health of your demand for your product is of performance on secondary's so secondary performance is reflected by what you see in the maybe AVAX and IQVIA numbers so happy to share that if you look at our performance for Q3 as per AVAX then against a covered market growth of 8% we are actually growing at 12.8% this quarter. That shows very healthy demand for our products. Coming to internal numbers on India business that you see there is an element of institutional business in it as well which is a tender business which is quite fluctuating so because of some base effect of that and performance of institution business same quarter last year you see India business down to 4.5% but it is more realistically like a 6% growth and as for IQVIA our covered markets have also grown at 7% in this period so we are matching market growths at this stage. We are an acute heavy organization and this year most of the acute therapies save inhalation and some respiratory products have not done very well so we have seen that impact but some of our products are doing very well. Cyclopam has grown at 10%. You see Sensodent KF growing at 18%. You see some of the other categories also I think Oxipod has done very well as an antibiotic. A lot of work is going on in the company as you rightly said to see that we can leverage our excellent portfolio of products. We are also in the process of weeding out the tail as we call it so while on one side new launches have started doing very well in the company, we are still weeding out a whole lot of many, many, many small products and impact of that does come on the total sales and eventually hurts the margin. This process is likely to go on I think for another quarter after which we should be seeing a more correct picture of the operational health of the India business.

Sudarshan P: Sure and what is your outlook for the India business? Do you think the high base would have an impact on the growth next year?

Aditi Panandikar: Not really. It really is not very big even at the current numbers though we have done very well. We are quite small in the API space compared to many of the other players. What has changed for us in API is while two years ago 60% of the capacity of APIs was consumed by International formulation business. I think now it is down to 30% this consumption so we are able to sell more outside and build a much better client base and there are plans to take this forward so API business will continue to ramp up in the coming years.

Sudarshan P: Sure and a couple of bookkeeping questions before I join back is on the depreciation side? Has there been a difference in the depreciation rate or something because there seems to be an increase there and also some color on the tax what do what can one expect on the tax rate side?

Pramod Ghorpade: Mr. Sudarshan Pramod here so on depreciation, depreciation includes amortization also so one is the incremental depreciation on the fixed assets which we capitalized during last three quarters and second is certain amortization of ANDA cost so these are the incremental impact on depreciation. Your second question about the tax, tax as you know we are at concessional rate of 25% and this effective taxes including defer tax asset and liability and change in that impacting the overall effective tax rate for the quarter.

Sudarshan P: And what should we expect going forward I mean should it normalize?

Pramod Ghorpade: Depreciation.

Sudarshan P: No I am talking about tax rates?

Pramod Ghorpade: Tax rates will be same yes of course.

Sudarshan P: Sure thanks a lot. I will join back.

Moderator: Thank you. We have our next question from the line of Ankeet Pandya from Incred Asset Management. Please go ahead.

Ankeet Pandya: Good afternoon and thank you for giving me the opportunity. Sir just two three questions so starting from on the other expenses side so sequentially there has been some decline in other expense from Rs.145 Crores to Rs.140 Crores and if I am not mistaken you had earlier guided that the remediation cost is expected to come down by Q3 and you just mentioned also that in Q4 we had a similar run rate so like should we expect around Rs.140 Crores quarterly run rate due to remediation cost coming down that can see some benefit in other expenses?

Aditi Panandikar: So as you rightly said other expenses overall have come down but that is because of a lot of effort from the organization side on controlling and optimizing resources. Coming to your question on remediation cost, I do not know whether I specifically said from next quarter it will come down I had in fact said that for a couple of more quarters we are likely to see the same level of remediation costs but despite these remediation costs being similar I am pretty confident that overall other expenses we will be able to keep bringing them down over time.

Ankeet Pandya: Okay fair enough. Secondly on your UK Europe business so how should we see next two to three quarters ramping up given that current challenges are there regarding Paracetamol and over stocking so like when should we see a quarterly growth coming back in this particular region?

Sundeep Bambolkar: Yes Ankeet this has been happening for the last four to five months so we expect things to turn around from next month onwards that is point number one and secondly from April and May we have some other products also which we are likely to get approved so there is a definite plan in place so you will have to wait for two months that is this quarter and from April onwards you will see a turnaround.

Ankeet Pandya: Okay and any tenders that we will be applying or we have applied and any tenders that we will be winning any update on that?

Sundeep Bambolkar: No nothing fresh.

Ankeet Pandya: Okay just my last question on the domestic business from the previous participant you mentioned that we are giving out some out some smaller products in the domestic business so what kind of like directionally if it is possible to give out some number if you can see that what kind of impact it is having on the growth front so that we can get some clarity like going forward what we can expect from Indoco?

Aditi Panandikar: So as I said our legacy brands and the other products which are well established in the acute therapy we have not really grown Y-o-Y for this quarter, but our new introductions have done very well so we have done two times the top line that we could have done from new introduction same time last year but some of this has got eroded because of the tail getting wound up this is what I meant otherwise it could have all come down in sales growth. Now the tail winding up it is like if you break them down to SKUs and all we looking at 150 plus small, small, small products launched over many number of years existing in pockets here and there. There is a huge cleanup operation going on to weed out these kind of products because while they help an SSO or an HQ do their target here and there they really do not help us strategically in any way for the corporates the manner in which we want to grow so we are putting a stop to many of these and that results in certain amount of roll back so this quarter if I am not mistaken we must have got around Rs.7 Crores additional from new products and we must have lost close to Rs.3 Crores to Rs.4 Crores. This is my estimate. That is what I meant so once this wash out is over all the incremental sale coming from new introductions can straight away contribute to growth.

Ankeet Pandya: So by new launches the weeding out of smaller brand that will be partially offset with the new launches?

Aditi Panandikar: Yes so I mean in addition to everything else I cannot ignore the fact that Febrex Plus has degrown by 3.5% so when your second largest brand degrows and I would like to add here solid oral are actually growth. We have had an issue with only one SKU which is the liquid oral but we had quite a large presence there so that is one big it is the second largest brand of the company so we have got impacted otherwise if you look at many of the other brands we are doing very well.

Ankeet Pandya: Okay fair enough. That is it from my side. Thank you.

Moderator: Thank you. We have our next question from the line of Raaj from Arjav Partners. Please go ahead.

Raaj: Sir wanted to know the outlook for FY2025?

Aditi Panandikar: Yes so Raaj we are not really giving any guidance. Looking at the current performance you will agree that from whatever you heard from us we are very confident that there are several improvement initiatives going on across the organization to bring in more efficiency to sort of increase batch sizes, to look at product portfolios, weed out products which are not in growth segments and all of this is going to result definitely in good margin expansion going forward and the efforts put in by sales both in India business as well as US and for that matter even emerging is going to give us good improvement in top line as well. This is just a phase we are going through and I would like to desist giving any guidance at this stage.

Raaj: Understood. Thank you madam and all the best.

Moderator: Thank you. We have our next question from the line of V. P. Rajesh from Banyan Capital. Please go ahead.

V. P. Rajesh: Thanks for the opportunity. Just one clarification when you were talking about the products that you are weeding out? Will that impact get over in this year or will it continue in FY2025 as well?

Aditi Panandikar: No, no it should get over this year.

V. P. Rajesh: So in terms of the FY2025 is it fair to say that that you would have a very clean base to grow from in the domestic business?

Aditi Panandikar: Yes that is true.

V. P. Rajesh: Okay and then typically when we see the external data that you are referring to that is growing around I think you can correct me if I am wrong but in high single digits so do we aspire to grow more than that and if you can just tell specifically we will be 1x of industry growth or 2x that would be sort of helpful?

Aditi Panandikar: So as per AWACS our covered market is growing at 8% for the quarter and we are growing at 12.8%. As per IQVIA our covered market is growing at 7% and we are growing at three year or something like that. That is the only difference. I do not think we get much influenced by what is happening outside. It is important to concentrate on our portfolio and see how it can be grown. We have had four categories which have been front runners in contribution to total sales in India business. One is anti-infective. The second is stomatological. The third is GI and fourth is respiratory. Now this year our respiratory has taken a major hit. The respiratory market in which we operate which is Febrex Plus which is anti-cold. We are seeing patients sort of move more towards plain Paracetamol or anti-allergic products, anti-histaminic products and post COVID in the stabilization kind of thing that is going on there is some kind of correction we are seeing in the consumption pattern of these products. We are watching it very carefully. You will see our own new launches are directed to take advantage of this shift so we have an anti-histaminic Belatin-M which is a combination of Belastin and Montelukast. We have a peripherally acting cough syrup peripherally acting on CNS cough syrup Dropicil. Both these products are expected to get take advantage of the shifting markets if at all but I am pretty confident that with a normal rainfall because we have had the El Nino effect this year so with a normal rainfall there is no reason why even Febrex Plus will not be able to do well again. The entire category has not done well. In antibiotics there are a few antibiotics which are doing all right. For us, the anti-infective in which we have a very large brand Oxipod has done well this quarter finally after the lull period in the first half so that is where our products are and I feel pretty confident that the kind of strategizing we are now doing and the kind of new products we are choosing to launch. For us soon we will be able to see the real impact of this coming into our top line growth.

V. P. Rajesh: Got it that has is very helpful and just a question on the margin side? At the company level the margins have been continuously coming down over the last few quarters so if you can you attribute what is going because of the remediation cost what is because of your gross margin and what is because of other things can you quantify that?

Aditi Panandikar: Yes a good question and thank you for asking that so if you talk of gross margins and you actually start looking at the cogs then over the last six quarters I think this is the best cost of goods we have delivered. Material cost as a percentage to sales this quarter is at 30.5% so a year ago we were looking at 31.7 something like that so there has been good improvement there. On employee benefit expenses we are a little bit high this quarter and largely on account of that extraordinary item that too so the kind of expenses which are not of a repetitive kind but are likely to last one more quarter are really the ones we have been discussing that is a remediation cost for the work we have to do at plant two for FDA to walk in and clear us completely. Those are a little bit on the higher side. Other than that I do not see anything. There is some amount of sales promotion expenses also which we have made a little bit on the higher side this quarter. They will also stay for the next quarter. These are costs we have used for digital sales and digital marketing of our products for the B2C model so we will see an impact of sales growth coming from that in another couple of quarters.

V. P. Rajesh: And what was this one of cost that you just discussed in this quarter?

Aditi Panandikar: So we had given a voluntary retirement, offered a VRS scheme at one of our plants in Goa and some of the older operators who were with us for a very long time they have chosen to take that and we feel this is very good and we should be able to recover the impact of this in two years’ time.

V. P. Rajesh: Okay but if you think of the one of cost in this quarter let us just say we remediation plus whatever else was one off what is the total number?

Aditi Panandikar: So we are roughly looking at around Rs.13 Crores to Rs.15 Crores.

V. P. Rajesh: Okay all right. Thank you. That is all I had.

Moderator: Thank you Sir. We have our next question from the line of Prolin an Individual Investor. Please go ahead.

Prolin: I have been listening to your call for quite some time now quite a few quarters. Just you know 15 months back you came in one of the conferences and you said that you have a target of increasing the size of the business by 3x in the next five years? Now multiple times you have refrained from giving the guidance right but if I look at what has happened in the last 15 months there have been couple of OAIs in our Goa facility plant two and plant three and Europe also is going to destocking? Our domestic acute business is going through its own headwinds so just wanted to understand that from when can some of the external factors cease to exist right and we can be on our that long-term trajectory of growing by 3x in the next five years?

Aditi Panandikar: Yes so obviously I cannot comment on external factors not existing, but I can definitely tell you what we are doing to ensure that they do not continue to impact us like this so like I said earlier product portfolios are being looked at in the international markets also. Even in the contract manufacturing markets to Europe the product mix is being looked at and even for the product mix we have a very ambitious plan to bring down cost of operations so that efficiency comes in that is underway so there are a lot of things underway. In the India business one of the areas identified is that we are pretty much a rural strong company and we need to increase our metro presence. Internationally in US as a business we need to ensure that you know product sales happen at the right time and all the investments we make in operations therefore get a turnaround correctly for which SPP we acquire that company so that we are in control of the fortunes of the product so the investment in a front end in US has been done. Across three manufacturing sites efficiency related corrections are underway in operations. Everything like I said increase in product size, AI driven, efficiency improvement, and reduction in the number of employment cost or staff cost to sales all those parameters are being considered. On the India business side an effort to increase the per man return is continuously on by launching new products which are in high growth segments to be able to risk ourselves from these kind of impacts that we get when a season does not come in, etc., that is underway so lot of things underway. It is going to take us a little bit of time to be able to show you outcomes of this coming in. I am hoping sooner than later you will be able to see small improvements both in top line and bottom line coming from this.

Prolin: But madam just to push you for a timeline wherein all these internal factors that we can control would be something we have done is it like a two to three quarter thing or is it going to be a two to three thing? What is your sense madam just this internal?

Aditi Panandikar: I am sorry I did not get your name.

Prolin: This is Prolin here madam, Prolin.

Aditi Panandikar: So Prolin I have been advised that I have been giving out too many guidance's which I will put my foot in my mouth so as to say so I am extremely careful going forward about any numbers. I think you must have heard what I said. You can do the math that is on one side we are bringing down cost of operations. On the other side we are correcting our product portfolios. All of this frankly when it hits the numbers we will do a good job. I cannot put a number or give you an exact timelines on it. We have already told you the one-off costs in other expenses for how long more probably one more quarter we will have them. In the New Year we should be done with many of these other things which impact us and by then sales growth will also start coming in.

Prolin: That is great madam. Thank you and I mean are such other VRS plans also in pipeline because madam I will tell you where I am coming from right. With your experience madam if I come to you and tell you that there is one company which is like 20th rank on IQVIA and 30th rank or 20th rank on prescription they do a 70% gross margin kind of a thing right in some sense without knowing the name you would say that approximately the margin should be anywhere close to 23% to 25% right? In some sense it is 70% kind of a gross margin so I mean is it fair that given the quality of our business and I know in the past you have said that US business is a higher margin than our domestic business as well so is there I mean just like your activation in terms of growth is 20% to 25% a good number given the quality of business that that we are sitting on?

Aditi Panandikar: Of course it is a good number. We had come very close to 21.5% at one point. I think a year and a half ago. Exactly Q1 FY2022.

Prolin: Right okay. Thanks a lot Aditi madam and all the best.

Moderator: Thank you. We have our next question from the line of Ankeet Pandya from Incred Asset Management. Please go ahead.

Ankeet Pandya: Thank you for giving the opportunity again. Madam just one question in the domestic business you have mentioned that there is some element of institution business also which is very fluctuating so what would be the contribution from this segment?

Aditi Panandikar: I will just quickly look at it. It is not very significant but I think it had done very well last year at this point.

Ankeet Pandya: Like mid-single digit 5% to 6% contribution to domestic business?

Aditi Panandikar: Not really. I think this quarter we have done close to Rs.12 Crores from institution and it was at 14.5 same period last year. It is showing a 20% dip on a small base.

Ankeet Pandya: Okay and this will be mainly towards hospitals?

Aditi Panandikar: We do not cover private hospitals and all. These are typically your AFMC, ESIC, and Railways those kind of institutions.

Ankeet Pandya: Okay but overall less than 10% contribution to the domestic?

Aditi Panandikar: Yes very less.

Ankeet Pandya: Okay all right that is it.

Moderator: Thank you. We have our next question from the line of Candice Pereira from Dolat Capital. Please go ahead.

Candice Pereira: Thank you for taking my questions so on the US so with the Goa plant 1 under issue and the ramp up in Goa 1 what do we expect FY2025 to be like for the US business and how many products are we planning on launching from Goa plant 1?

Aditi Panandikar: So plant 2 does not have any issues. I just want to clarify that. It is just the classification okay so we are waiting to go back to our VAI classification that is all. Other than impact certain product approvals as in they might get delayed. There is no problem for existing business from Goa plant 2 and Goa plant 1 ramp up what I said earlier is the PAI is having been cleared. We are likely to get more approvals soon okay so possibly in a year's time I think we can expect two to three approvals for US.

Candice Pereira: Okay and have we started transferring the products from Goa 1 to Baddi 3 for EU Market?

Sundeep Bambolkar: Yes. Also about the US business you are right. We have ramped up the capacity in Goa 1 so supplies will be much smoother. Batch sizes have been increased for some of our products and naturally the cost of manufacturing will come down and margins will go up.

Candice Pereira: Okay that is very helpful and for the domestic business how many total MRCP do we have right now?

Aditi Panandikar: On payroll 2,300.

Candice Pereira: 2,300 and madam the capex for this whole year what do you think it would be and the allocation of it?

Aditi Panandikar: Rs.150 Crores is the capex expected.

Candice Pereira: Okay Rs.150 Crores for FY2024 and FY2025 madam if would give guidance?

Aditi Panandikar: Similar levels. It might be less than that.

Sundeep Bambolkar: Slightly lower yes.

Candice Pereira: Okay slightly lower alright. One more thing so our covered market share in the domestic market madam you said was around 8% right AWAC?

Aditi Panandikar: No that we are growth not market share. Market share is 0.7%.

Candice Pereira: Sorry?

Aditi Panandikar: Market share is 0.7%. 8% was covered market growth.

Candice Pereira: Okay all right okays. Thank you so much. That is it from me.

Moderator: Thank you. We have our next question from the line of V.P. Rajesh from Banyan Capital. Please go ahead.

V. P. Rajesh: Thanks again for the opportunity so on the Goa plant 2 by when do you expect to get the VI started?

Aditi Panandikar: Like I said we have not heard anything further from FDA but there is a time they have given us to make certain corrections inside the site like some area corrections, etc., for which we are working on so it is expected that once that is concluded they will come in so probably in the second half of next year.

V. P. Rajesh: Second half of next year okay so essentially Q3 is the earliest you could get that clearance right?

Aditi Panandikar: Yes we cannot really say but at this stage we should expect that.

V. P. Rajesh: Tentatively yes of course yes and on the international business side if you can just quantify as to what is your total potential given your capacities, etc., and the products that you have so that we can understand how much is the gap between what you are generating in terms of revenue versus what the company could do in the international market given your American formulation business plus the APIs over there plus the formulations in EU so just wanted to get a sense of that?

Sundeep Bambolkar: Yes thank you Rajesh. See it is like this. That for European business as I said earlier we have filed many products which are of much higher value and much, much better margins. It is just that the agencies are working at their own pace. No doubt they are trying very hard to give the approvals but post COVID things have really slowed down because of they hiring fresh staff and all that so once those approvals start coming in from April and May of this year we could start slowly shedding how much Paracetamol we do or some other low margin business and that would add to the top and the bottom line both and simultaneously scale up our US solid dosage business. So as far as capacity is concerned I am not at all worried because we are upgrading all the important machines. We are going for the best in class so that will generate huge capacity in fact. In Goa 1, Goa 3, Buddi 1 and Buddi 3 so Buddi will entirely handle Europe and Goa will handle US, so that clarity is there so the capacity will not stand in between our success to do more and more that much I can assure you.

V. P. Rajesh: Right so I get that and my question was slightly different so given the capacity that we have and given the products we have and the markets we are targeting what is the potential revenue that you can see if everything is aligned correctly? What kind of revenue can you generate from these capacities?

Aditi Panandikar: Yes so I will just answer that in a little different way. For the quarter completed now if you see we have done around Rs.60 Crores from Europe and 90% of that is against contract manufacturing for others. The US revenues meanwhile even if they are contract manufacturing have a profit share attached to it or we are sort of part of the pipeline selection and it is part of our strategy so quite frankly given that every contract manufacturing unit can be converted into manufacturing own strategically selected product at the correct margins where you are also participating front end in sales so it is not cost plus, etc., etc. Actually this capacity can give us anywhere from 2.5 to 3 times the top line.

V. P. Rajesh: 2.5 to 3 times of what you did in this quarter right Europe and US put together?

Aditi Panandikar: What we do on an average basis at annual level.

V. P. Rajesh: I see so if I just look at your nine-month revenues and analyze that you are saying you could do 2.5 to 3x to that number is that correct understanding?

Aditi Panandikar: Easily.

V. P. Rajesh: Okay and as you have said in the past margins are much higher in the international business so can we assume that you can at that kind of revenue potential you will be making 20% EBITDA margin?

Aditi Panandikar: I did not get the last part.

V. P. Rajesh: So given that the margins are higher in the US and Europe and the products that you have there is it fair to assume that you can do 20% kind of EBITDA margin in those geographies once everything is aligned and executing properly?

Aditi Panandikar: Yes once aligned and executed certainly.

V. P. Rajesh: Yes okay thank you.

Moderator: Thank you Sir. That was the last question. I would now like to hand the conference over to the management for closing comments. Over to you.

Aditi Panandikar: Thank you everybody for your active participation and your questions. We look forward to better performance in the quarters to come. Thank you.

Sundeep Bambolkar: This has been one of the most well participated call I would rate it. Thanks a lot for your participation. Thank you.

Moderator: On behalf of Dolat Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.