



May 18, 2024

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The Manager  
The National Stock Exchange of India Limited  
Exchange Plaza,  
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Mumbai – 400 051.

BSE Scrip Code No. 524280

NSE Symbol : KOPRAN

Dear Sir/Madam,

**Sub: Investors Conference Call Recording/Transcript**

Pursuant to Regulation 30 read with Part A of Schedule III and Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, recording of an Investors Conference Call held on May 17, 2024 is uploaded on Company's website:

<https://www.kopran.com/investors/financials/>

The transcript of the Investor Conference call is also annexed herewith.

Regards,  
For Kopran Limited

Sunil Radheyshyam  
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# Kopran

“Kopran Limited

Q4 FY '24 Earnings Conference Call”

May 17, 2024



**MANAGEMENT:** **MR. SURENDRA SOMANI -- EXECUTIVE VICE  
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**MODERATOR:** **MR. HRISHIKESH PATOLE -- BATLIVALA & KARANI  
SECURITIES INDIA PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Kopran Limited Q4 FY '24 Earnings Conference Call hosted by Batlivala & Karani Securities India Private 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 the touchtone phone. Please note that this conference is being recorded.

I now have the conference over to Mr. Hrishikesh Patole from Batlivala & Karani Securities, India Private Limited. Thank you and over to you, sir.

**Hrishikesh Patole:** Thank you. Good afternoon everyone. On behalf of B&K Securities, I welcome you all to Q4 FY '24 Earnings Conference Call of Kopran Limited.

Hope everyone is in good health and doing well. On behalf of Kopran, today we have with us Mr. Surendra Somani, Executive Vice Chairman, Mr. Ajit Jain, Chief Operating Officer and Mr. Sanjay Doshi, Group Advisor. I now hand over the call to the management for the opening remarks, post which we'll open the session for Q&A. Over to you, sir.

**Surendra Somani:** A very good evening and a warm welcome to all of you to this investor call for Kopran. I will first give a brief overview on the quarter 4 results and the annual results. The consolidated turnover for the quarter ended March 24 was INR186 crores and for the year ended was INR615 crores. The corresponding consolidated turnover for March 23 quarter was INR158 crores and the sales last year were INR551 crores.

The consolidated profit for the year ended March 24 was INR51 crores compared to INR27 crores for the previous year. A brief overview of the divisions, the total turnover for the active pharmaceutical ingredients business was INR338 crores as compared to INR303 crores in the previous year. We have improved our performance but the profitability remained under pressure due to prices and competition from China.

However, new products like Faropenem and Ertapenem were successfully launched in the last quarter and this has added to the Penem business. General products like Ticagrelor, Rivaroxaban and Empagliflozin have now been commercialized and are marketed to various customers in India. In the international market, the DMFs are under submission and expected to be approved by our customers in the next six to eight months.

We have also made various applications for CEPs for the European market and some CEPs like Amlodipine and Lymeicycline are expected in the current or next quarter. Our R&D has been working actively and new products like Edoxaban, Lacosamide and Macitentan development has been over completed and we expect commercialization in the current financial year. The overall outlook for API continues to be positive.

For the formulations, we had a turnover of INR281 crores as compared to INR250 crores in the previous year. The sales growth continues from these semi-regulated markets but the focus is now on new products for the regulated market. We have commenced investment

in validation batches and bioequivalence studies to file our own dossiers for registrations in regulated markets like UK and Europe.

As a strategy, new formulation development is focused on integrating the new molecules which we are manufacturing and developing in our active pharmaceutical ingredient business. For example, products like Rivaroxaban, Apixaban, Empagliflozin are already developed even in the formulations. The mix of such products will help our growth in the regulated market.

We are continuously investing in expansion and upgradation of our facilities with an objective to go for the USFDA approval especially for our Beta lactam plant in the next year. Panoli this is where our new API plant will start. The Pollution Control Board permission was expected in April but has been delayed due to the elections.

We are still hopeful for getting permission by June and commence the plant, commence the production in quarter two. The R&D center at Khopoli is already working and new products including certain products which are the patents of which are expiring between 29 to 2033. The work has begun.

The overall outlook of the business for APIs and formulation continues to be positive. Thank you.

**Moderator:** Should we open up for questions?

**Surendra Somani:** Yes, please.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Sajal Kapoor, an individual investor. Please go ahead.

**Sajal Kapoor:** Hi, thanks for taking my question. Sir, I wanted to know the EU approval status for linear cycling and any of the newer generation products that we have started filing.

**Sanjay Dosi:** Sajalji, we have filed a CEP for linear cycling and I mean the date which has been given by the authorities is in the month of May. So we are expecting by end of May or beginning of June, hopefully we should be getting this.

**Sajal Kapoor:** Okay, that's helpful. Thank you. Second, in terms of cost economics of KSM that Kopran is attempting and so synthetic backward integration in-house versus fermentation derived that we are procuring from market and mainly from China, how confident are we on this new approach of synthetic route for KSM to make it a worldly integrated product offering going forward?

**Surendra Somani:** Sir, let me clarify. The KSM which we are developing are not made by fermentation route even in China. There also it is synthesis. So all we are doing is instead of buying synthesis

based KSM from China, we will develop in India and this is now an industry practice. So the idea is to become more competitive.

**Sajal Kapoor:** And are we reasonably confident in terms of our process being different or better than Chinese and we will be landing at a better price point because we know what the game that China plays, right? They will dump their material in order to ensure that the domestic suppliers are out of business eventually. So are we confident that our economics are superior?

**Sanjay Dosi:** Sajalji, the thing is this, the whole purpose of where we are developing the KSMs, we are developing those KSMs where our cost is lower than China. But as you rightly said, China has a habit of reducing prices wherever India develops better than them. And I mean that scenario is going to remain.

But developing these KSMs gives us security in case, I mean wherever China is dumping, we always have a choice to buy from China and not manufacture our own KSM. But wherever there is a shortage or there are increasing prices, then we can always shift to our own KSM manufacturing to be competitive.

**Sajal Kapoor:** Sure. And lastly, sorry.

**Sanjay Dosi:** Yes, please.

**Sajal Kapoor:** Yes. And lastly on this Panoli EC, Environment Clearance status, which we all have been waiting for a couple of years at least, if not more, has the Pollution Control Board, the Gujarat Pollution Control Board, that is, have they given any sort of indication what is it that they don't like in the existing...?

**Sanjay Dosi:** I'll brief you the status as far as GPCB is concerned. Earlier, there was a confusion between Gujarat Board and Central Pollution Control authorities that who has the authority to allow us, give us permission. And initially as far as we had applied to Gujarat government and later on when they said, I mean now Central has said that they only will do it. So we have approached the Central authorities and we submitted it.

One hearing has already been done and we made our presentations and they've asked for one clarification which we have already submitted. And the moment the next hearing comes, we are quite reasonably sure that we'll get it.

**Sajal Kapoor:** That's helpful. And finally, on the gross margin, this quarter 4 gross margins are significantly below our expectation of close to 40% gross margin, if not higher. I know in previous years, Kopran has gone up as high as 50% gross margin, but this time around it's closer to 30%, if I'm not mistaken.

Is it purely from this dumping from China or is there domestic competition is also a factor or is it raw material price inflation? I mean, what are those drivers that are causing the gross margin to collapse so significantly?

**Sanjay Dosi:**

I'll break it into two. As far as if you look at gross margins and formulations are better. In this quarter, we had a challenge as far as API is concerned. And if you historically look, our margins, I mean, in API ranges between 30 and 35. In some quarter, you'll find that going up because inventory built up. Wherever if the sale is lower than the production, you'll find a calculation of gross margin as a percentage because you build cost of manufacturing into your inventory valuation. Okay.

So that particular quarter, you'll find it's going closer to 40%. But these are -- I mean, if I take an average, it should range about 35%. This particular quarter, the gross margins were lower due to two, three things. One was, it was a reverse case where sales were higher than the production. So the margins which were built up into some part cost into the stock.

As a result, if you look at the quarter only, then you'll find there is a dip in margin. Second is, because of year-end selling pressure in the industry, the prices were in the month of March under pressure. So that impacted. And some impact is because [0:14:54] is a campaign-based production facility. I mean, the products are based on campaign. So 2%, 3% percent margin here and there keeps moving depending on what kind of product mix is in a particular quarter.

**Sajal Kapoor:**

Right. And how are things looking as of today?

**Sanjay Dosi:**

No, business has come back again on normal. March in India particularly, not in international market. But domestic market, there is always some selling for all companies to meet their targets or whatever. So there is a tendency of prices going down temporarily for the month of March. And it is because companies stop buying. They don't want to carry, I mean, control their inventories in the month of March for their balance sheet reasons. And the manufacturers are in a hurry to liquidate. So their inventories also are under control.

**Surendra Somani:**

I'd like to add one more perspective. I have mentioned in my opening also. Products like Ticagrelor, Rivaroxaban, Empagliflozin, Dapagliflozin, we have still not got the international vendor approval where we will get the better margins. So we are by force selling in the domestic market where the margins are very, very low. So when you look at the average margin, that also makes an impact. We expect that in the next six months or eight months, we'll get approvals from customers. So then our average margins will go up. As [Sanjay 0:16:42] rightly said, we work in a table of between 32% to 37% margins. It may fluctuate in a quarter, but that's the average we are trying to work on.

**Sajal Kapoor:**

Right. No, that's helpful. I'll re-join the queue. Thank you.

**Moderator:**

Thank you. We'll move on to the next question that is from the line of Ravi Agarwal from Agarwal Investments. Please go ahead.

- Ravi Agarwal:** Namaste, sir. Sir, my question is, in Panole, we are...Yes, my question is, developing an R&D center. So after environmental clearance, what will be the gestation period required to be a...I'm speaking in Panole, we are developing the R&D center. So after environmental clearance also, what time is required so that we can fully create our R&D center?
- Surendra Somani** The R&D center has already been established and trials are already on over there. As soon as we get the EC, which we expect next month, the R&D activity will start full scale. There will be no delay in that.
- Ravi Agarwal:** Okay, sir. And sir, whether any new order or any development on the CDMO side we have, means we are only covering 5% of our revenue on the CDMO side. So whether any increment is there or whether in the future, one or two years, any possibility to increase the revenue in CDMO?
- Ajit Jain:** Well, currently there is no CDMO projects till the time we get our approval. But going forward after a year or two, you can expect an increase in CDMO business.
- Ravi Agarwal:** Okay. And sir, in India or outside India, are we as a possible CMO player, means contract manufacturing, we are doing the contract manufacturing for any other client?
- Surendra Somani:** We are doing contract manufacturing in formulations for sure.
- Ravi Agarwal:** Okay. In India and outside India also?
- Surendra Somani:** Only outside from India. Okay. We export 100%. We don't market any formulations in India as of now. So we do some contract manufacturing based on the license of the international companies in South Africa and United Kingdom, UK. We don't manufacture anything for any Indian companies. However, in API, the CMO activity, as Ajit already said, it will take some time to start.
- Ravi Agarwal:** Okay. And sir, at present how many scientists or technicians are there in the R&D means how many scientists are at present? I think nearly 100 scientists are at present?
- Surendra Somani:** Maybe more if you put both there are three centers now, Mahad, Panoli and our formulations. So it will be more than 100.
- Ravi Agarwal:** So after the execution of this Panoli center more scientists will be hired?
- Surendra Somani** Yes, definitely.
- Ravi Agarwal:** Okay, sir. And how do you find India as a substitute of China in case of API and intermediate supply?
- Surendra Somani:** As I was explaining earlier, there are two raw materials for APIs. One is fermentation based which is like your Penicillin and Cephalosporins and statins and erythromycin. In fermentation based the Chinese will always be more competitive.

But wherever there's only purely synthesis based, I think that's where India is actually catching up. And most of the companies are investing in manufacturing the KSMs also, not only just for reliable pricing or costing also for supply, also for efficiency so that they are not dependent. There is no problem from China for most of the synthetic based raw materials.

But yes, when you talk, I mean, we are not in Penicillin for example, but in an industry where somebody is dependent on Penicillin or the erythromycins there is a challenge. And that may continue till the Indian fermentation industry picks up which may take a few years.

**Ravi Agarwal:** Okay. And sir, are we on the right path to grow by 25% to 30% as we already discussed in last two concalls?

**Surendra Somani:** 25% to 30% was probably including Panoli this year we should do between 18% to 20% without considering Panoli.

**Ravi Agarwal:** Thank you from my side and all the best for future, sir. Thank you.

**Surendra Somani:** Thank you.

**Moderator:** Thank you. The next question is on the line of Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar:** Thank you very much, sir, for this opportunity. Sir just wanted to understand on the backdrop of the margin pressure that you highlighted in both gross margin as well as in the EBITDA margin because of the competition from China. Then how do we see the margins going forward? Do you see that Chinese pressure is coming down and we may look at improved margins in FY25-26 and what would be our aspiration that we have been talking about 18% to 20% kind of EBITDA margin in a few years?

**Sanjay Dosi:** As far as margins are concerned it's a function of as we said we are looking at improved margins primarily for the reasons of the molecules which have been launched in the last 2 years which are now getting approved at different places and the products which we are launching which are higher value and better margin profile products.

**Deepak Poddar:** So what sort of margin outlook we have for this year, FY25?

**Sanjay Dosi:** This year, I mean, ex-Panoli because we have not factored in operations of Panoli till it comes and we put our budget and production plan for Panoli, but ex-Panoli I could say that EBITDA would be about INR100 crores in this year.

**Deepak Poddar:** INR100 crores kind of EBITDA in this year without Panoli?

**Sanjay Dosi:** Yes.

**Deepak Poddar:** And what is the expected timeline of Panoli?



- Sanjay Dosi:** Panoli we are expecting approval in the month of June and after trial production etc in another 2 months, 3 months and proper commercial production should be in Q3.
- Deepak Poddar:** Commercial production to start in Q3.
- Surendra Somani:** We'll commence in Q3. We don't expect capacity production because once we start commercial production then there is the issue of taking the validation badge, stability data, vendor approval. So while we have started that process from pilot plant to be able to forecast the full capacity of the Panoli plant a lot depends on the vendor audits. So it's a little subjective.
- Deepak Poddar:** I got it. I understood. I think that would be it from my side, sir. All the very best.
- Moderator:** Thank you. The next question is from the line of Chirag Jain from Yogya Capital. Please go ahead.
- Chirag Jain:** Good afternoon, sir, and thanks for the opportunity. Most of my questions have been answered. I have just one query how much of our production is currently outsourced that was my only question now?
- Surendra Somani:** Sorry, come again.
- Chirag Jain:** How much of our current production is outsourced?
- Surendra Somani:** Sorry, production is all done either at Mahad or at Khopoli. As of now for me it is at Khopoli out of our total sales maybe 1% or less than 1% is outsourced. I mean, sometimes we buy some injectables or formulations to have a package in the ROW market otherwise, not really much. It would be 1% or less of the total.
- Chirag Jain:** My question arose because you mentioned two early participants, but that was helpful. I will get back in the queue.
- Surendra Somani:** Thank you.
- Moderator:** Thank you. The next question is from the line of Arvind Rai, an individual investor. Please go ahead.
- Arvind Rai:** Sir, I have a question from our presentation which we had in November 23. I want to talk about ethanol and nitroxylin. Can you please update us as to what is happening on these two products because they were supposed to start in early 24 and as we proceed they were supposed to pick up. Where do we stand in these two products?
- Sanjay Dosi:** Which products ethanol and nitroxylin? Nitroxylin we have been selling for the last 2 years and well-received in the market. Ethanol we have been selling. I think probably you are trying to ask ethanol for US market probably.

- Arvind Rai:** Yes US market. My question is for the US and Europe.
- Surendra Somani** Okay. Nitroxilin in Europe is now starting in this quarter and US ethanol trial material has gone and we expect that commercial orders will come in the next 3 months to 6 months.
- Arvind Rai:** Because sir in that concall you said you were in touch with a few multinationals for supplying in the US. Have you been able to tie up with any one of them?
- Surendra Somani:** Yes, we have already supplied the validation batch quantity.
- Sanjay Dosi:** What we are trying to say is that we are supplying to some of the customers for the US market. What you are talking about some multinationals where they have taken validation batches, they have filed their documentation with regulatory authorities and they are expecting approvals and we expect the next 3 months to 6 months business will be regularly started with them.
- Arvind Rai:** Sir, this product of ethanol is approved by the US?
- Sanjay Dosi:** I am talking about ethanol only. We are supplying to some of the customers for the US market for the last one and a half to two years. What you are talking about is probably what I can assume is one particular large MNC where we have been in talks with them. They have already taken validation batches with our product. They have filed their NDA with the FDA there and we expect the regular commercial business to start in the next 3 months to 6 months.
- Arvind Rai:** Sir, you claim that you will be supplying 60% to 70% of US ethanol requirement?
- Sanjay Dosi:** So that MNC is the largest player in the US.
- Arvind Rai:** So maybe in a quarter or two, supplies will start to them.
- Surendra Somani:** Yes.
- Arvind Rai:** And nitroxilane in Europe?
- Sanjay Dosi:** Europe business, I mean regular commercial business will start in Q1 and June onwards.
- Arvind Rai:** So we can expect some contribution in next quarter?
- Sanjay Dosi:** Certainly.
- Arvind Rai:** Okay. Thank you very much. That's all from me.
- Surendra Somani:** Thank you.
- Moderator:** Thank you. The next question is on the line of Sajal Kapoor, an individual investor. Please go ahead.

- Sajal Kapoor:** Yes, thanks for the follow-up. I heard you mentioned EBITDA of close to INR100 crores this fiscal. Our best EBITDA on console basis was about INR87 crores in FY'22. So basically, we are hopeful of an all-time best EBITDA without any contribution from Panoli, correct?
- Sanjay Dosi:** You understood it correctly. But I'll mention one thing here. That INR100 crores for the year, there will be up and down in the quarter-on-quarter basis. It won't be divide by four kind of a situation.
- Sajal Kapoor:** Yes, of course. Pharma is always, you cannot extrapolate or divide by four. No, I appreciate that. But on a yearly basis, by the time we exit this fiscal, we are expecting INR100 crores of console EBITDA.
- Sanjay Dosi:** Absolutely right.
- Sajal Kapoor:** Okay. So assuming that we do INR50-INR60 crores of cash flows out of this EBITDA, do we intend to take any additional debt for our capex requirements or we believe that our internal cash flow will be sufficient?
- Sanjay Dosi:** I don't think we intend to take any debt for capex. And we are not looking at very heavy capex in next one year. The only probability...
- Sajal Kapoor:** So the next major capex will happen at Panoli, when we get the environment clearance and that's likely to happen maybe as early as 44, this fiscal or next fiscal?
- Sanjay Dosi:** Next fiscal, because we already have spent, I mean, done our capex. We have to build one more block out there, which we have space and identified the thing there. So once Panoli, one year it runs, then only we'll take up that thing there.
- Sajal Kapoor:** Right. And in terms of our available land parcel for a brownfield extension on our existing site, do we need any new land parcel or start a greenfield anytime soon or we believe that we can continue to expand at Panoli or other sites?
- Sanjay Dosi:** I think for next three, four years, we can continue to expand at our existing facilities.
- Sajal Kapoor:** All right. Okay. That's helpful. Thank you so much.
- Moderator:** Thank you. The next question is on the line of Manas Belekar from Xylem Investments. Please go ahead.
- Manas Belekar:** Hi, sir. Sir, I just wanted a clarification on Panoli. You mentioned Q3 is when we start Panoli, right?
- Yes. Sir, what could be the revenue contribution for this year?

- Surendra Somani:** As I said earlier, I cannot estimate that because once we start, we'll have to take validation batches and then get the vendor approval.
- Sanjay Dosi:** We'll keep you updated once our production starts, then we'll assess the situation and update you about what kind of contribution it can have. At the moment, we have not factored into Panoli working at all in whatever we are saying.
- Manas Belekar:** Fair enough, sir. Sir, you mentioned for FY'25, we'll do anywhere between 18% to 20%. :So that is around INR730 crores to INR740 odd crores in sales and INR100 crores in EBITDA. So we are still in the 13% and 14% range. So how are we approaching the 18% and 20% long-term guidance, sir?
- Sanjay Dosi:** Sir, last time also I said that you'll start feeling and seeing from FY'25-'26 onwards. I mean, intermediates are getting completely integrated. Our US ethanol business and other new launches which are at the moment sold only in domestic, we get approvals for export markets. Because if you see our profile, export has a better margin profile than domestic market. So that's the reason last time also I said that a meaningful increase in margins you'll be able to see from FY'25-'26 onwards.
- Manas Belekar:** Correct. And sir, I just wanted one more on Panoli. Do we have a visibility where we close this year with EBITDA breakeven for Panoli? I mean, there won't be any pre-op hit, right? Because as soon as the plant is operationalized, like all the expenses will be attained. So do we have that visibility for us to at least have EBITDA breakeven on this plant?
- Sanjay Dosi:** As I said, we have not evaluated the whole thing till it starts. So probably next con-call, I mean, closer to our commercial production starting, we'll be able to give you better guidance on that.
- Manas Belekar:** Fair enough, sir. Sir, thank you. That's it from me.
- Moderator:** Thank you. The next question is from the line of from B&K Securities. Please go ahead.
- Maulik:** Yes, hi. Thank you for the opportunity, sir. If I'm not wrong, sir, we have significant revenue contributions from the African geography. And we aspire to bring it down and focus on other geographies also. So just wanted to check what is the strategy regarding it? And by when is it expected to happen?
- Surendra Somani:** With geography? Africa, geography, how do you bring it down to share?
- Ajit Jain:** See, well, we have, we are in the process of developing new molecules and filing into UK for our own IP, on those we get registration, then gradually it will go down, but our south africa sale continues to be remain static or continue to grow, but no sooner we start commercializing sale in registrations in U.K, Europe it will go down.

- Maulik:** I wanted to check, do we have any impact because of the Red Sea crisis? Or is there any volatility in forex in any way?
- Sanjay Dosi:** I think Red Sea has some impact in terms of shipment timings too [inaudible 38:50 and Latin American business and some of our imports].
- Maulik:** Understood. Okay. And any forex impact, sir on operation?
- Sanjay Dosi:** No, no. forex, I think, is, Rupee is quite stable.
- Maulik:** Okay. Thank you for answering.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.
- Surendra Somani:** I just want to say thank you to all our investor friends who have logged in today to know a bit more about Kopran. And in the closing all I can say that we will continue to grow, have faith in us, matter of time. Good luck and God bless.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Batlivala and Karani Securities, India Private Limited, that concludes this conference call. We thank you for joining us and we now disconnect. Thank you.