



November 21, 2024

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The Manager
The National Stock Exchange of India Limited
Exchange Plaza,
Bandra - Kurla Complex, Bandra (E),
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BSE Scrip Code No. 524280

NSE Symbol : KOPRAN

Dear Sir/Madam,

Sub: Investors Conference Call Recording/Transcript

With reference 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 November 18, 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 Sodhani
Company Secretary & Compliance Officer
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Kopran

“Kopran Limited

Q2 and H1 FY '25 Conference Call”

November 18, 2024



MANAGEMENT: **MR. SURENDRA SOMANI -- EXECUTIVE VICE
CHAIRMAN – KOPRAN LIMITED
MR. SANJAY DOSI -- GROUP ADVISOR –KOPRAN
LIMITED**

MODERATOR: **MR. HRISHIKESH – BATLIVALA & KARANI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Kopran Limited Q2 and H1 FY '25 Conference Call hosted by B&K Securities. 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 hand the conference over to Mr. Hrishikesh from B&K. Thank you, and over to you, sir.

Hrishikesh: Good afternoon, everyone. On behalf of B&K Securities, I welcome you all to Q2 FY '25 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. Sanjay Dosi, Group adviser.

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: Very good afternoon to all our investor friends. You are already aware of our quarter 2 results, which have been published. Regarding our business units, which are the active pharmaceutical ingredients and the formulations, let me give you a brief overview. API business had a turnover of INR78.03 crores in quarter 2 as compared to INR82 crores in the corresponding quarter.

Our performance was impacted by the pressure on the prices of API, particularly the penems primarily due to Chinese competition. Further, the Nitroxoline business had a temporary back, which is now being resolved. Our focus on new product continue. And I'm happy to inform you that we have commenced trial production of some products at our Panoli plant.

We expect to start commercial production within the next 3 to 4 months. These products include Ticagrelor, Apixaban, Rivaroxaban, and some new products like Lacosamide, and we are targeting to complete another new product, Riociguat in quarter 3. Panoli will be focused mainly on the newer products.

We have also developed the process and are manufacturing at Edoxaban, one of the latest blood thinners and its intermediates. Our overall outlook for the API business in future continues to be positive. Formulations. The turnover of the formulations business for the second quarter was INR73.52 crores as compared to the corresponding quarter, which was INR69.7 crores.

There was a minor growth in the turnover and the profitability. The future quarters also look positive with more growth. As mentioned in the previous investor calls, the vision and focus of the company continues to be for complete integration, forward and backward, and focus on global markets so that we are competitive and continue to improve margins. I thank all the investors for showing their faith in Kopran.

I now hand over for question and answers. Thank you very much.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question comes from Gautam Rajesh, Individual Investor.

- Gautam Rajesh:** Sir, I had 2 questions. My first question was how much of the export revenue is branded generic supplies versus your generic, generic supplies?
- Surendra Somani:** Yes. No, I thought you had 2 questions. I was waiting.
- Gautam Rajesh:** Okay. My second question was what are your top 5 products? And can you split them out with the percentage of revenue that they contribute?
- Surendra Somani:** Well, branded generics are about -- because that's only for the formulations, they constitute about 25% or so of the formulations exports. In the formulations, and you can also have a look at it in our investor presentation, which is in the stock exchange website. In the formulations, our major products are Amoxicillin and Amoxicillin with Clavulanic acid. And in the API business, the Penems contribute to the significant part of the turnover, which includes Meropenem, Faropenem, Ertapenem, Doripenem, and Biapenem.
- Gautam Rajesh:** Yes, sir. And if I got the number right, you're saying branded generics are 25%?
- Surendra Somani:** Between 20% to 25%.
- Gautam Rajesh:** And your top 5 products? I think in an earlier call, you were saying Meropenem and Atenolol, is that still remain -- what percentage would they contribute, roughly?
- Sanjay Dosi:** In formulations or API?
- Gautam Rajesh:** Both, sir.
- Surendra Somani:** Meropenem, we do not really do a lot of formulations as of now. As I have mentioned in the previous investor call, we are putting up the vial filling line, which will take about 1 to 1.5 years post which we'll have to do the registration of the product. Atenolol formulation will also constitute a nominal less than 1% of our formulation export. In the APIs, Meropenem, of course, is the largest, followed by some other Penems. And then it is atenolol. That's the rough breakup.
- Gautam Rajesh:** Yes, sir. Can you give like a rough breakup in terms of percentage, how much percentage of your revenues would be contributed by these products?
- Sanjay Dosi:** Penems would be about 40%.
- Gautam Rajesh:** Meropenem or Faropenem?
- Sanjay Dosi:** Meropenem, Faropenem, and all put together. And 10% would be Atenolol.
- Gautam Rajesh:** Atenolol, how much? 10%?
- Sanjay Dosi:** Yes.
- Gautam Rajesh:** Okay. What would be next, sir?
- Sanjay Dosi:** I mean, there are different categories. I mean category-wise, we have given the breakup. Category-wise, yes.

- Moderator:** The next question comes from Nirali Shah from Ashika Stock Broking.
- Nirali Shah:** So I had a couple of questions. The first one is on Panoli plant. Just a second. What is the status of exhibit validation batches at the Panoli plant? And how can we look at it from FY '26 perspective and onwards?
- Surendra Somani:** We are as of now doing the trial batches, based on which we will gather data. And within the next 3 to 4 months, we'll start the validation batches, which are required mainly for the international market because we intend to get the CEP and the US-DMF approved. And proper commercial production, I think, mainly in FY '25, '26. I cannot comment on a value, but it should be around INR150 crores to INR200 crores.
- Nirali Shah:** So roughly, it will contribute around INR150 crores to INR200 crores once the facility is fully operational, which will be probably in FY '26? Will FY '26 will be the full year of operation?
- Sanjay Dosi:** Next year, we'll start commercial production, but the entire value won't be coming in the year 1. Yes, it would be gradual. So I mean, over a period of 3 years, INR200 crores to INR250 crores is what we are looking at achieving from Panoli plant.
- Nirali Shah:** And that will be at what level of capacity utilization?
- Sanjay Dosi:** I mean it all depends on product to product. So utilization, I mean, 3 years down the -- API plants are fully utilized as such, in general. And utilization will slowly grow up in next 2 to 3 years. And 3 years, we expect it to be fully utilized.
- Nirali Shah:** Understood. So roughly, we can take at least 90% utilization?
- Sanjay Dosi:** Yes, in year 3, yes.
- Nirali Shah:** On a conservative side?
- Sanjay Dosi:** Yes.
- Nirali Shah:** Okay. The second one, you mentioned about Penem vial facility. So I just lost you there. You mentioned 1 to 1.5 years on that. So any clarity over there? I lost you when you were mentioning about it to the previous participant?
- Surendra Somani:** So the Penem vial facility is a sterile facility. We may take 1 year to do the hardware. But between 6 to 8 months, it requires for sterile validation, the environmental validation because this is a product which is a lifesaving used in hospitals, and then we need to get regulatory approvals.
- So ideal target would be 2 years, but it could slip by a few months here and there. So these are all lifesaving used in hospitals, so we need to see that all regulatory approvals are in place. This facility will be subjected to approval from the EU.
- Nirali Shah:** Understood. Last one is on the guidance. So we have achieved almost INR290 crores to INR300 crores on the top line in the first half of this year. And just wanted to know what will be the key

opportunities or growth levers that we are looking at that will drive the momentum that will be needed to achieve almost, say, nearly 18% to 20% growth, which will be around INR725 crores for FY '25, the whole year?

Sanjay Dosi: You see as far as volumes are concerned, growth is much better than what the top line numbers suggest. That is primarily if you look at last 6 months, Penems prices have, I mean, gone down by about 25%. So some pressure is there on some APIs. In spite of that, if you see, we have achieved some marginal growth here, and we are looking at better growth in H2.

Nirali Shah: We expect H2 to be much stronger than H1?

Sanjay Dosi: Yes, yes.

Nirali Shah: Even on the margin front? On the EBITDA margins, you are expecting INR100 crores?

Sanjay Dosi: I don't think we'll be able to achieve INR100 crores, but let's say, ballpark is about INR80 crores EBITDA level.

Moderator: The next question is from Julie Mehta from Batlivala & Karani Securities.

Julie Mehta: So sir, my first question pertains to Penicillin prices. So as per my understanding, I believe that the prices are coming down when we track it over the last few months. So are we seeing any relief on that front really? And like in continuation to that, how much is our China dependency? And what is our plan to reduce our dependency on the same?

Surendra Somani: Ma'am, Penicillin as of now, 99% of the production of the world is in China, so the whole world depends on China. Aurobindo has just started trials of its Penicillin production, and they expect to come into commercial production by mid of next year or early next year, let us say, by March or April. Once they start production, there will be an easier availability, then we have to assess the price situation. It's a little early right now to speculate and say that, yes, prices are going to fall.

Sanjay Dosi: Just to mention, I mean, Penicillin is a raw material for us, so softer prices works better.

Julie Mehta: So my next question pertains to the API product portfolio. Right now how many products are in pipeline? And what is the kind of opportunity that we're exactly looking at? If you can throw some light on the same.

Surendra Somani: Basically, we have more than 12 or 14 products already being manufactured commercially. Apart from that, we have more than 10 products under R&D. And in the next 2 years, we plan to commercialize 10 products. Our main focus is on cardiac, diabetes and CNS, apart from the newer Penems like Tebipenem, so few Antibiotics. And R&D is, I've mentioned in the previous call also, we have expanded at Panoli, so we have more scientists working now.

Julie Mehta: Okay. So sir, what is the revenue contribution? Like how much of our revenue is towards R&D? And do we have any number in place for that?

- Sanjay Dosi:** We don't have a separate numbers for R&D spend as a percentage of revenue, but we are spending whatever is required to achieve our goals.
- Julie Mehta:** Okay. And sir, my last question for now would be like the markets of Latin America and Middle East are markets that are still -- there's a lot of space to grow. So are we at Kopran planning to enter any new markets within these larger markets? And what would our strategy be in terms of the growth for these geographies, if any like -- if we have any idea?
- Surendra Somani:** We are already present in Latin America, but in a very small way, many new product registrations are still pending. As I mentioned earlier, product registrations take between 1.5 to 3 years. So we expect many registrations of LATAM to come through next year. Regarding the Middle East, the GCC is the biggest market where registration normally takes 3 years apart from plant products.
- We are already working in Oman and in Yemen, and we are planning to put in dossiers next year in the UAE also. Again, in the commercial, you will see only after 3 years. Our strategy will be to be in every country, either through API or through formulations depending on the market situation. We are not going to spare any content and or country.
- Julie Mehta:** Sir, which are the key markets in Latin America that we are looking at? If you can give me some idea on this?
- Surendra Somani:** So let me -- we can't give you a long list of names. From API point of view, Brazil and Mexico, from formulations viewpoint, Chile will be the biggest for us. And of course, there is Uruguay, there's Colombia, there are many, but these will be key markets.
- Moderator:** The next question comes from Arvind Rai, an Individual Investor.
- Arvind Rai:** Sir, we have seen the total expenses going up in this quarter compared to last quarter. Have we debited the Panoli plant expenses?
- Sanjay Dosi:** No, no.
- Arvind Rai:** This is without Panoli plant expenses?
- Sanjay Dosi:** Yes. Because of CPHI and incentives, etc., because of that it is flat.
- Arvind Rai:** And sir, earlier you had guided for an EBITDA of INR100 crores in FY '25?
- Sanjay Dosi:** I couldn't get you.
- Arvind Rai:** Sir, you have guided for an EBITDA of INR100 crores in FY '25. Are you sticking to that guidance?
- Sanjay Dosi:** As I mentioned earlier, I mean, more probable looks like INR80 crores.
- Arvind Rai:** Is it because of the prices rise, fall...

- Sanjay Dosi:** Primarily because of API Penem prices pressure. Margins are more there.
- Arvind Rai:** And sir, my second question is, sir, what is the progress on CDMO? Have you been able to tie up with...
- Moderator:** I'm really sorry to interrupt. Mr. Rai, may we request to use the handset mode, please to ask a question. You're sounding a lot muffled.
- Arvind Rai:** Is it okay now?
- Moderator:** This is much better, sir. Please go ahead.
- Arvind Rai:** Sir, my question is regarding CDMO. Have you been able to make any progress in that?
- Surendra Somani:** We are doing CDMO for a couple of companies in South Africa and also U.K. This is a continuous process, but here the results will be again long term because you do the product that is put on stability, then once the stability period is over, they get the registration. But yes, we are doing because whenever we talk of R&D of the APIs, we are parallelly doing the R&D for the formulations like antidiabetics or cardiac drugs. We are doing the development not only for Kopran's own dossier, but also on behalf of certain customers.
- Arvind Rai:** But sir, you indicated that some innovators are interested in CDMO business, and we are hoping for it. Any progress on that lines?
- Surendra Somani:** Not significant progress.
- Arvind Rai:** Sir, my second question is about the R&D facility. We see a lot of disruption taking place due to synthetic biology assisted by Artificial Intelligence, and we are seeing a lot of changes happening in the industry. Is it affecting us in any way? Is it good or bad for us?
- Surendra Somani:** The technology upgradation is a continuous process. AI is still something new, we have not yet been able to really incorporate AI into our R&D. And from whatever little I know, it is still at a very infancy stage in the pharma industry. But yes, maybe in time to come, AI will be incorporated. And whatever facilities, our infrastructure required for R&D, we have -- we are equipped with the same, and we are doing the needful. Newer technologies will come in, newer methodologies will come in. We are adapting to that.
- Moderator:** The next question comes from Hrishikesh from B&K Securities.
- Hrishikesh:** So just quickly on your earlier comments regarding price erosion. I mean, is this a new phenomenon, like new Chinese players have entered? Or is it the same players and we are seeing more lower prices and lower price erosion? That's the first question.
- Surendra Somani:** Well, basically, it is not the new players. It's just that Chinese expanded their capacities, and they do not want the Indian companies to really take a market share, especially in the global market. So because the Penems we are exporting to many countries, including the Middle East and Southeast Asia and Bangladesh and all this. So they are trying to see that the Indian share does not increase. That is their basic strategy.

- Sanjay Dosi:** It is more because of internal competition within China, where they are trying to, I mean, shut down at least one company in this product line. Normally, Chinese used to compete and then cartelization was there, but now I think the competition is very severe within China and their effort to come to some understanding has failed thrice to 4x in last 1 year.
- Hrishikesh:** And I mean, overall, will this last for 2, 3 quarters more? Or do you see some recovery, I think in the next few months? How is this going to turn out for Penems specifically?
- Sanjay Dosi:** If you look at China is making losses at these prices. According to our assessment, it is more or less at bottom, but you never know with China, it may further go down. But chances of further going down looks a little low. And how fast it bounce back, it's anybody's guess.
- Hrishikesh:** And just to get a clarification, have we also lost volumes? Like is there a volume decline as well for us? Have we lost market share?
- Sanjay Dosi:** Increased.
- Hrishikesh:** Sorry, I couldn't hear you.
- Sanjay Dosi:** Volumes have increased, but prices are low.
- Hrishikesh:** Okay. And sir, just one more like a financial question. Can you broadly give us division-wise margins for this quarter and first half?
- Sanjay Dosi:** In this quarter, division-wise margin, if I say formulations, EBITDA margin is 3.68% and API is about 6%.
- Hrishikesh:** Okay. Just one more on a broader time frame perspective. The newer chronic therapy with newer molecules that we are targeting and those you said in the opening remarks, I mean, we see all other peer set or all other competitors highlighting the same set of products, which probably will lose patent protection.
- We see a lot of peer set talking about the same set of products. So how do we plan? How -- what's the strategy to win in this market? I mean there are other peer set also targeting the same set of products, which have significant resources, more resources than probably what we have. So what's our right to win over here? How will we gain market share in these products, the newer therapies or the newer products?
- Surendra Somani:** You're absolutely right. Every big product, at least 50 companies jump into the frame. Now you have to categorize, there are some companies who are only formulation players. There are some companies who are focused on domestic markets. There are some companies who are only API players.
- Our strategy is to make the raw material, the API and the formulation and register it in the regulated markets. We are not focused on the domestic markets, especially as far as the formulations are concerned. So that will be our main strategy. And we hope that with the integration advantage and economies of scale, we have a slight competitive edge because many of the companies will not go into the regulated markets. They will not be eligible.

- Hrishikesh:** Sure. And just lastly from my side, I mean, do we have -- do we see any impact from the Red Sea crisis? I mean...
- Surendra Somani:** Already the impact is there. Our material to Europe and U.K. are all going around the world and reaching there. So that impact is already there.
- Sanjay Dosi:** Bound the cycle is elongated from normal cycle.
- Hrishikesh:** I mean, then how are we like managing it? How are we stressing on the supply chain?
- Surendra Somani:** No, we are asking the customers to give the order in advance. But whatever time additional is taken, that is there, we have to face that. Everybody is facing it. It's not just us. It's so many industries, not just pharma industry.
- Moderator:** The next question comes from Shivam Shah from Smart Sync Services.
- Shivam Shah:** I just like wanted to ask 1 question. Can you provide an update on the progress with Teva for ethanol supply? Specifically, have you received any further confirmation on vendor change approval? And is there any clarity on the time line for scaling up of the orders?
- Surendra Somani:** Teva is progressing for sure. We received the first order also. But time line-wise, they are moving a little slow. Mainly, it has happened due to the Israel war, so the time lines are a bit slow. As you might be knowing, Teva, though it's an international company and this product, which we are talking of is for the U.S. market, but the headquarters are based in Israel. So there is a bit of a spillover of the current -- I mean, the next quarter's business spilling over to the next year. Otherwise, it is on line.
- Moderator:** The next question comes from Naveen Jadhav, an Individual Investor.
- Naveen Jadhav:** My question was like will you be able to -- like you're saying that we'll have an EBITDA margins -- EBITDA by end of the year to INR80 crores. So are you confident of increasing the EBITDA in the next -- the remaining 2 quarters?
- Sanjay Dosi:** Yes, we are quite confident that around INR80 crores is what we'll be able to achieve for the whole year.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.
- Surendra Somani:** Well, I would like to just thank the investors who have taken their time and the effort to ask us and understand us. Once again, thanks a lot, and we are always there for any questions you may have. Thank you.
- Moderator:** Thank you. On behalf of Kopran Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.