CONCORD BIOTECH LIMITED

B-1601-1602, B-wing Mondeal Heights, Iskcon Cross Road, S. G. Highway, Ahmedabad-380015, Gujarat.
Phone : +91-79-68138700 Fax : +91-79-68138725 CIN No.: L24230GJ1984PLC007440
Email ID: complianceofficer@concordbiotech.com

June 04, 2024

To The Manager, Listing Department **National Stock Exchange of India Ltd**. Plot No. C/1 G Block, Bandra-Kurla Complex, Bandra (East), Mumbai -400 051 Symbol: CONCORDBIO	To General Manager, Listing Department **BSE Limited** Phiroze Jeejabhoy Towers, Dalal Street, Mumbai – 400 001 Scrip Code: 543960

Dear Sir/Ma'am,

Subject: Transcripts of Q4 & FY24 Earnings call held on May 28, 2024

In continuation of our letter dated May 28, 2024 regarding Audio recording of the Audited (Standalone and Consolidated) Financial Results of the company for the Fourth Quarter and Year ended March 31, 2024, Earnings call for Investors and Analysts and pursuant to Regulation 30 (6) of the SEBI (Listing Obligations and Disclosure Requirements) 2015, the transcripts of the Earnings call for the said period enclosed herewith and available on the website of the company at the following link after sending this letter to you. Also please note that this transcript and the audio recording of the call, both have been uploaded on our website as follows:

https://www.concordbiotech.com/investors

Kindly take the same into your records and oblige.

Thanking you,
Yours faithfully

For Concord Biotech Limited

PRAKASH LALCHAND SAJNANI

Digitally signed by PRAKASH LALCHAND SAJNANI
Date: 2024.06.04 11:04:23 +05'30'

Prakash Sajnani
Company Secretary and Compliance Officer
M. No. F6242

Encl: as above

CONCORD BIOTECH
Biotech for Mankind...

"Concord Biotech Limited

Q4 & FY '24 Earnings Conference Call"

May 28, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 28th May 2024 will prevail.

CONCORD BIOTECH
Biotech for Mankind...

CHORUS CALL

MANAGEMENT: **MR. SUDHIR VAID – CHAIRMAN AND MANAGING DIRECTOR – CONCORD BIOTECH LIMITED**
MR. ANKUR VAID – JOINT MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – CONCORD BIOTECH LIMITED
MR. LALIT SETHI – CHIEF FINANCIAL OFFICER – CONCORD BIOTECH LIMITED
MR. PRAKASH SAJNANI – COMPLIANCE OFFICER AND ASSISTANT VICE PRESIDENT, ACCOUNTS – CONCORD BIOTECH LIMITED
SGA, INVESTOR RELATION ADVISORS – CONCORD BIOTECH LIMITED

MODERATOR: **MR. SAGAR SHROFF – SGA**

Moderator: Ladies and gentlemen, welcome to the Q4 and FY '24 Earnings Conference Call of Concord Biotech Limited. Kindly note that 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. This conference call may contain forward looking statements about the company which are based on belief, opinion and expectation of the company as on the date of this call.

These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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.

Now I hand the conference over to Mr. Sagar Shroff from Strategic Growth Advisors. Thank you and over to you sir.

Sagar Shroff: Thank you Yusuf. Good evening everyone and thank you for joining us on the Q4 and FY '24 Earnings Conference Call for Concord Biotech Limited. Today we are joined by Mr. Sudhir Vaid, Chairman and Managing Director, Mr. Ankur Vaid, Joint Managing Director and CEO, Mr. Lalit Sethi, Chief Financial Officer and Mr. Prakash Sajnani, Compliance Officer and AVP Accounts. Company has uploaded its financial results and investor presentations on company's website and stock exchanges. I hope everybody had an opportunity to go through the same. We will begin the call with opening commentary by the management followed by a question and answer session.

I would now like to invite Mr. Sudhir Vaid, Chairman and Managing Director for Concord Biotech Limited to give his opening remarks. Thank you and over to you sir.

Sudhir Vaid: Good evening everyone. Thank you for joining us on our Q4 and FY '24 Earnings Conference Call. This fiscal year, FY '24, has been an eventful year for all of us at Concord. Notably, we achieved a significant milestone of getting listed on Stock Exchanges. This achievement is a testament to our sustained commitment to growth and excellence. In line with the growth trajectory we have previously outlined, we are delighted to report a growth of 19% in our revenue for FY '24.

This remarkable growth is not only a reflection of our strategic planning and execution but also aligns perfectly with our long-term guidance. Our dedicated team, with focus on our objectives, has collectively contributed to this success. We look forward to continuing this momentum as we advance into the next fiscal year.

Now let me take you through the key developments that took place during the year. The USFDA authorities conducted an inspection of our Limbasi facility in June '23. I am pleased to announce that the inspection concluded successfully with zero 483 observations.

We now have an EIR for this inspection. Consequently, our customers have begun the qualification process for the Limbasi facility, allowing us to serve them from this unit as well. Additionally, the Bavarian Regulatory Authority in Germany has successfully completed EU-GMP inspection of our facility.

These inspections ensure that our facilities meet the stringent standards required for global operations. We have also successfully completed inspections by ANVISA Brazil and the Food and Drug Authority of Saudi Arabia. Furthermore, our facilities have been inspected by authorities in emerging markets such as Kenya and Tanzania, as well as domestically by Gujarat FDCA and CDSCO.

These inspections validate the high standards of our manufacturing process and open new opportunities in the emerging markets. With these inspections and approvals in place, we are poised to expand our footprint worldwide, enhancing our geographical presence, customer diversification and gain more market share in existing markets through optimization of capacity utilization at our API and formulation facilities. Alongside, we have been continuously enhancing our R&D capabilities to expand our product portfolio.

We are pleased to announce the addition of two new products in the fermentation API space, bringing our total products count to 30. We also have a robust pipeline of over 10 products to be introduced in the coming years across various therapeutic areas, further enriching our portfolio to meet customer needs comprehensively. In our formulation segment, we have added 21 new products, taking total count to 98.

We have also expanded our reach by more than 1,000 doctors in FY '24, especially in the field of Nephrology, Oncology and Rheumatology across the country to penetrate deeper in the formulation space. Our wide product portfolio, diversified customer base and capabilities and capacities to scale up our operations have provided us with a significant competitive advantage in the market. These strengths have enabled us to successfully expand our footprint into both regulated and emerging markets.

In closing, I would like to thank our employees for their unwavering dedication and resilience, our customers for their loyalty and our shareholders for their continued support. We are very confident about our future plans and look forward to share our progress with you in the quarters to come. Thank you.

With this, I hand over the call to Mr. Ankur Vaid, Joint Managing Director and CEO of Concord Biotech Limited. Thank you.

Ankur Vaid: Thank you, sir. We are delighted to report that our revenue for Q4 FY '24 stood at INR 319 crores, reflecting a growth of 17%. Our revenue for the entire year grew by 19%, aligning with our long-term guidance. Additionally, our EBITDA and PAT grew at a faster pace by 26% and 28% respectively on a year-on-year basis. Our EBITDA margins for FY '24 stood at 42.8% as compared to 40.5%, an increase of 230 bps. Our PAT margins for FY '24 stood at 30.3% as compared to 28.1%, an increase of 220 bps.

As previously mentioned, I recommend evaluating our financial results on an annual basis rather than quarterly. Revenue growth can be impacted on account of customers' procurement patterns, leading to lumpiness in sales in a particular quarter, causing fluctuations in sales.

Additionally, changes in the sales mix within the API and formulation segments, as well as certain expenses relating to marketing, R&D and overheads, may spike in a particular quarter

impacting the margins. But this is expected to stabilize on a full-year basis. Therefore, for a fair assessment of our performance, one should focus on an annual trend rather than quarterly results.

As mentioned, in FY'24, we secured numerous regulatory and product approvals in both matured and emerging markets. Furthermore, we have filed DMF's and registered our products across various global markets. This will give us more headroom to expand our customer base and geographical presence.

Now, let me speak in brief about our operational and financial performance for Q4 FY'24. Our API revenue for Q4 FY'24 was at INR 265.4 crores, reflecting a 14% year-on-year growth. For the full fiscal year FY'24, API revenues stood at INR 828 crores, marking a 9% year-on-year growth.

The growth was partially impacted on account of a couple of customers relocating their manufacturing bases, necessitating compliances with regulatory authorities and approval processes to procure materials from Concord in the new location, which has been completed in March of '24. Hence, we anticipate revenue normalization in FY'25.

While API revenues can show some quarterly volatility due to customer procurement patterns, we remain confident in our long-term growth trajectory. With the addition of new products, a strong pipeline of products, regulatory approvals and expanding our customer base globally, we remain optimistic about our future performance.

In the API segment, we have been enhancing our product portfolio and expanding our capabilities in oncology and antibiotics over the past few years. This diversification has reduced our reliance on immunosuppressant products compared to the last year. The share of the oncology and antibiotic segment has been increasing as they are growing at a faster pace.

In FY'24, we acquired 95 new customers and introduced new products to existing customers. As a result, the contribution from our top 10 customers decreased from 44.3% in FY'23 to 42% in FY'24, further reducing our customer concentration risk. As these new customers mature, we will have opportunities to cross-sell more products, further driving our revenue growth.

Speaking on our formulation segment, our formulations revenue grew by 37% in Q4FY'24 and 106% for the full year FY'24 on a year-on-year basis. We have focused on strengthening our formulation business by enhancing our capabilities and expanding our product portfolio. Our domestic business, particularly in critical care, nephrology and rheumatology, has been on a strong growth trajectory. We have introduced new products and increased our presence in large and mid-sized corporate hospitals as well as government institutions. Over time, we have built a capable sales force and deepened our connections with the medical community.

In FY'24 alone, we established touchpoints with over 1,000 doctors in critical care, nephrology and rheumatology, among others. We continue to expand our reach among doctors and institutions moving forward. Commercial production at our new injectable plant is expected to commence in this fiscal year. Once operational, this facility will allow us to provide a comprehensive range of formulation products, including oral solid dosage and injectables. This

strategic initiative is expected to significantly bolster our market presence across diverse geographies, positioning us as the preferred vendor for our customers.

The split between our API and formulation business was 81% and 19%, respectively, for FY'24, aligning with our long-term guidance of 80%-20%. We are optimistic about the growth trajectory of both segments and remain committed to achieving our long-term CAGR guidance of revenue growth.

We also anticipate that our EBITDA and PAT will grow at a faster rate than revenue, driven by operational efficiencies and increased utilization across our units. Lastly, as part of our long-term strategy, we have been actively exploring opportunities in the CDMO space to further drive our growth.

We are in discussion with various innovators and major generic players, submitting RFQs and positioning Concord as a reliable partner. With our extensive capabilities, capacities and large product portfolio, we are well positioned to capitalize on this opportunity. We believe that securing the CDMO projects will enable us to achieve substantial volumes, accelerating revenue growth and expanding margins through operating leverage and efficiencies.

Looking ahead, we are confident in our growth strategies, which focus on deeper market penetration, acquiring new customers and introducing new products in niche categories. With large portfolio of fermentation-based APIs, extensive capacities and capabilities for scaling, new domain expertise and a broad customer base, we are well positioned to sustain and accelerate our growth.

With this, I hand over the call to Lalit Sethi, our Chief Financial Officer for financial and operational performance. Thank you.

Lalit Sethi: Thank you, sir and thank you all for joining us today. It's my pleasure to provide an overview of our financial performance for Q4 and FY 2024. In this financial year, we have achieved robust financial results, demonstrating our ability to execute our strategies effectively and deliver value to our stakeholders.

Now let me take you through the financial and operational performance for this quarter and year ended March 2024. On the revenue front, our revenue from operations in this quarter stood at INR 319 crores as compared to INR 272 crores in the same period last year, representing growth of 17% in this quarter.

Revenue from operations for the financial year 2024 crossed INR 1,000 crores and stood at INR1,107 crores against INR 853 crores in financial year 2023, representing growth of 19% as compared to the last year.

Our revenue from API business grew by 14% in this quarter and 9% for the full financial year 2024. It stood at INR 265 crores for this quarter and INR 828 crores for the financial year 2024 against INR 761 crores in the last year. Revenue from the formulation business in this quarter stood at INR 53 crores as compared to INR 39 crores in the same period last year, representing

growth of 37% and in the financial year 2024, it stood at INR 189 crores, a growth of 106% on a Y-o-Y basis.

Revenue from the domestic business grew by 21% in this quarter and 24% for the full fiscal or financial year 2024. Our revenue from the international business grew by 14% in this quarter and 15% for the full fiscal year 2024. Speaking on EBITDA, our EBITDA for this quarter stood at INR 132 crores as compared to INR 127 crores in the same period last year. As mentioned earlier, it would be more judicious to look at all from our results on an annualized basis.

EBITDA for the financial year 2024 stood at INR 435 crores, representing growth of 26% on a Y-o-Y basis. EBITDA margins for this quarter stood at 41.4% and for the financial year 2024, it stood at 42.8%, representing an increase of 230 bps. On profit after tax, our profit after tax for this quarter stood at INR 95 crores as compared to INR 91 crores in the same period last year, representing a growth of 4% over the last quarter.

Profit after tax for the financial year 2024 stood at INR 308 crores as compared to INR 240 crores in the last year, representing growth of 28% over the last financial year. PAT margins for this quarter stood at 29.8% and for the financial year 2024, it stood at 30.3%, representing growth of 220 bps over the last financial year.

With this, I shall now leave the floor open for questions and answers.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.

Alankar Garude: Yes. Hi, thank you for the opportunity. Ankur, you mentioned a few reasons impacting API growth in the fourth quarter. If you look at the 9% year-on-year API growth for the full year as well, it does not appear to be very different than the historical market growth trends. Now, this is despite addition of the Limbasi facility as well as a couple of launches which Sudhir sir mentioned. So the question is, apart from the reasons mentioned specific to the fourth quarter, were there any other reasons which you would like to call out behind a slightly muted API growth in FY'24?

Ankur Vaid: No, so I think the new Limbasi facility, we have been adding customers and they have been adding the new Limbasi facility into their dozier. So I think that process is going on. And as you would see that we have quite a diverse customer base. So definitely adding the new site does take time across several products. So this is going on.

We do not see any challenges around that. But I think the only reason that I see has been what I pointed out that a couple of our customers had shifted their base from one geography to the other. And because of which we saw this impact. And also, they were waiting for a regulatory inspection which happened in March only.

So we were able to supply them some quantity but it was very less compared to what they were looking for the quarter. But again, as I said, since the regulatory inspection went very well, that is behind us. So in this year, we expect that to normalize. So I do not see any challenges. As a matter of fact, with the addition of the new products coming in.

We see and expect good ramp up in the API sale. And again, we have a very strong pipeline of products. And as I mentioned that we expect a couple of molecules to get commercialized on a year-on-year basis. So definitely with a larger portfolio base and with larger penetration happening, we expect the revenue growth on the API front to be much better than the last year.

Alankar Garude: Fair enough, Ankur. The second question is on gross margins. We have seen a significant dip both year-on-year as well as Q-o-Q. Now, there are quite a few variables here but Yes, I mean, both on API formulation mix, then the domestic exports mix, maybe something on the product mix which you want to call out. So if you can break your response across some of these parameters that would be really helpful.

Ankur Vaid: So as I mentioned that we should be looked from an annual basis rather than quarterly. And our full year margins have increased actually by 230 bps and it stands at 42.8%. However, speaking specifically for the quarter the revenue, as I mentioned, was impacted on account of the lumpiness in the API sales and also on the customer shifting their basis. But we believe that the revenue has now stabilized. Also, margins got impacted on account of the sales mix between the API and the formulation segment.

And on account of certain overhead expenses bunching up in a particular quarter. And hence it will be prudent for us to be looked from an annual basis rather than quarter because if you see even the formulation mix for the year stood at close to 80-20 only and all the other financial metrics were in line with the guidance. So a specific quarter could have different reasons as I mentioned and hence we should look more from an annualized number only.

Alankar Garude: Fair enough but sorry to harp on this Ankur. I mean if you look at say the third quarter, the formulations mix was around 28% which came down to 17% in this quarter. So I understand the quarterly fluctuation, but I mean if you look at the gross margins in the third quarter they are significantly higher than the fourth quarter. So just trying to understand I mean are there quarters wherein formulation gross margins can be reasonably high compared to the general impression we have wherein API is significantly higher than formulations when it comes to gross margins?

Ankur Vaid: So I think in the formulation also different territories and markets would have slightly different margin profiling because again you are applying for tender markets and they would have a differential pricing compared between region to region. So that can have an impact but since the contribution of the formulation is only close to 20% I do not see that being a major impact. I think sometimes due to the lumpiness you are also holding inventory.

So the inventory is there which at times could impact the gross margins, the closing stock which is there. So very difficult to to put it on one or two points. I think it is a cumulative effect but that being said we do not see any challenges either on the pricing front or any raw material or anything which has actually increased substantially in terms of the pricing.

As a matter of fact we have been able to bring down, in certain cases, the cost of the raw materials which we were currently procuring. So I do not see any specific challenges neither on the procurement nor on the sales side. This is just probably a quarterly phenomenon that one is looking at. And when you will look at the weightage cost I think it kind of levels out.

Alankar Garude: Sure. Thank you Ankur and maybe one final question with your permission. If you look at slide 18 of your presentation you have given data on new customer additions and product additions in existing customers over the last 5 years. So just trying to understand these numbers better I mean can you bifurcate the numbers across new customer additions and product additions in existing customers?

Ankur Vaid: Unfortunately Alankar we do not provide that data.

Alankar Garude: But then Ankur I mean what does that 95 in FY24 indicate I mean one is a product number and the other is a number of customers so just not able to reconcile directly?

Ankur Vaid: If you see, Alankar, some of these customers are just starting the relationship if you see because as you would see that we have added new products also and even in our existing products where the validation activities have got completed, certain markets start evaluating you as a reliable partner only once you have completed the validation and the DMF activities. So these customers have been added. They may not have a meaningful quantum at this point of time but definitely the potential of these 95 customers is quite large.

And some of these customers are large customers and they would have their own process to kind of qualify you to kind of make you as a supplier. So those 95 customers are with respect to your existing products as well as the new products that we have launched over the years.

Alankar Garude: Understood. So basically you are saying the 47 customers in FY20 has increased to 95 as of FY24?

Ankur Vaid: So that's additional 95 customers. It's not built over the 45.

Alankar Garude: Okay. Fair enough. That's all from my side. Thank you so much.

Moderator: Thank you. Next question is from the line of Vivek Agarwal from Citi Group. Please go ahead.

Vivek Agarwal: Hi. Thanks for taking the question. Ankur just one question on Limbasi facility as you have indicated that you are adding new customers etc. So what is the current capacity utilization of this facility and what is the current revenue contribution? So is it really contributing in terms of revenue new numbers, etc?

Lalit Sethi: Limbasi facility is working at around 35.12% in this financial year. It was 31.81% in the last financial year.

Vivek Agarwal: But how much it is contributing in terms of revenue. So if the Limbasi facility utilization has moved up. So then it should have driven especially the APIs somewhat right but that is also not reflecting?

Ankur Vaid: So Vivek, we don't give facility level revenues split. However, again we are selling a product API's from Limbasi to global markets because now that we have USFDA approval and Japanese AFM, we are having access to most of the global markets. But in addition to that, it is the Limbasi facility is also supporting to our Dholka facility also in terms of supplying some of the starting

materials from Limbasi to Dholka. So that is where the capacity utilization currently stands. But as I mentioned that we do not provide revenue details at facility level.

Vivek Agarwal: No problem at all. Thank you. That was the only question for Vivek.

Moderator: Thank you. Next question is from the line of Chintan Sheth from Girik Capital. Please go ahead.

Chintan Sheth: Thank you for the opportunity and congratulations for a good year. Just a couple of questions on the customer side that you mentioned. A couple of customers have shifted manufacturing based which impacted the numbers. If you can quantify what kind of revenue we lost because of that and is it pertaining to API division or it was the – I presume it is for the API division only, right?

Ankur Vaid: Yes, that's correct. It is only for the API division.

Chintan Sheth: And what is the impact if you can quantify what kind of revenue loss we kind of, witnessed because of that?

Ankur Vaid: So again very difficult to quantify here because until and unless, we did not get the approval, the purchase orders were not getting released. So I would not be able to have a number on this. But, as I mentioned that, now that we have the approvals in place, we have started selling the product to that customer beginning from April. And hence, we do not see any impact of this going forward. This was basically, awaiting the regulatory approval only which has been done.

And on the other side, for the other customer, they had taken the quantities for the validation batches and they were awaiting the approval from the authorities to kind of qualify their site, the new facility and the vendor as well. So that activity has also got completed. And because of that, we have again started selling the product to that customer in India for that specific product.

Chintan Sheth: Okay. So if I can ask, alternatively what kind of revenue these two customers put together had generated, say, or share of revenue in 4Q of 23? That can give us -- if it was like-to-like or it remained the same, what could have the revenue contribution, revenue loss per se from that particular customer site?

Ankur Vaid: So this was close to around -- probably around 6% to 7% or so.

Chintan Sheth: Right. Okay. Got it. Thanks. And second was on -- in terms of the new molecules which we launched not only this year but say for last three years, the number of molecules which we have launched, what kind of revenue contribution those new molecules have been, what proportion of revenue came from those new molecules?

Ankur Vaid: So again we are not providing details on product level revenue. But what I can mention is that we are seeing good growth in the oncology and the anti-infective segment. And this is, again, mostly towards the new product launches that have happened, because of which the weightage on the immunosuppressants has come down compared to the last year.

So as you would see that Concord was already manufacturing the entire portfolio of immunosuppressants. And much of the new launches have happened in the anti-infectives,

antifungal and oncology. So already commercial products, as well as these new launches, we are seeing good traction in both of these.

And they have been growing at a much faster pace because of which, the weightage on immunosuppressants is coming down. But it would be difficult for me to kind of give you product level-wise revenue on this.

Chintan Sheth: But if you can just give that, say, three years back, we were largely immunosuppressants, right? Now, what is the share? If you can, we can, then compare that over this timeframe, how that dependence on the immunosuppressants has reduced for us.

Ankur Vaid: So compared to last year, the immunosuppressants have come down by around 4%, the weightage on immunosuppressants.

Chintan Sheth: Okay. Got it. And lastly, on the injectable facility, when are we expecting that to commission? We were earlier expecting in Q1, right? In April 25?

Ankur Vaid: Yes. So it was in the later half of Q1 but with the validation activities ongoing and awaiting the approvals from the government from the regulators, Indian regulators, we're expecting it to be somewhere in the early half of Q3.

Chintan Sheth: Okay. So revenue contribution, we should expect say, from the second half of this year, right?

Ankur Vaid: That's correct.

Chintan Sheth: Okay. Thank you.

Moderator: Thank you. Next question is from the line of Vinayak Mohta from Axia India. Please go ahead.

Vinayak Mohta Yes. Hi. Good evening. Congrats on a great set of numbers. So the first question I had, I just wanted to understand our capability from a complexity point of view when it comes to the formulation side of the business as well as the injectable side. What difference are we bringing, to the table for the customers relative to a lot of players who are there in the market?

And how confident are you on the sustenance of the formulation revenue that we have done in the last year or so and the continued growth going forward from a qualitative point of view to start with for both the formulation and injectables?

Ankur Vaid: Sure. So I think, talking about the differentiation that we bring, in the oral solid as well as in the injectables, I would say that we are the only company in India which are manufacturing these fermentation APIs and then forward integrating them to the finished formulations. So all these niche APIs, be it in the nephrology or in the critical care, Concord is forward integrating to the finished product.

And we have already seen great success of that in the domestic formulation business wherein the doctor, fraternity, the patients have put in a lot of confidence in the kind of high-quality products that we are bringing to them. And these are, again, the products that we have launched

in the US. We are bringing those same products to global markets including India. So again, setting up very high standards along with having full, control on the fermentation API as well.

So that's the differentiation that we bring even in the injectable space. And, talking about the sustenance and the continued growth, we expect that going forward we are seeing more and more approvals from the regulators in the emerging markets because, the last few years we did see some impact on us because of COVID wherein the regulators delayed the approval process.

But now that, that has really picked up quite well, we are expecting faster approval in some of the emerging markets which would actually further help us grow much faster in the formulation business compared to the previous years. And, of course, we have been adding more products in the formulation space as well, be it the injectables or the oral solid. So that would also kind of help us grow our formulation business with our existing customers as well.

Vinayak Mohta: Understood. Just a clarification, these are products which are already available in the market and you are bringing it through a fermentation route as in domestic availability or these are more of products which are imported by the consumers and we are replacing that import part of these products. How would that be?

Ankur Vaid: Correct. So you are right. So most of these APIs are currently being imported and, of course, these are, again, very high-value niche APIs. So when Concord would be supplying these products through their own internal manufactured APIs, definitely, we would be having a lot of advantages to our customers to pass on and that's something that would definitely be helping us to kind of grow our revenues in the injectable space as well.

Vinayak Mohta: Understood. A couple of quarters back, you did give a guidance on the revenue growth, going forward for the next three to five years. So just wanted to understand where are we with that but like you had mentioned that you should continue on a growth trajectory. So are we confident on the 25% CAGR for the next three to five years to come?

Ankur Vaid: Yes. As I mentioned that, we have built in the capacity. So the capacities are in place. We have a strong product portfolio which is commercial and we have a strong R&D pipeline also which will be getting commercial over the next three to five years. And, so all these growth levers are there in place and, we stand with our revenue guidance of 25% CAGR over the next three to five years. But again, one should see that this is going to be more of a gradual trajectory towards moving towards the 25% CAGR growth.

As I mentioned that, there are different levers which will play out at different intervals and hence one should look at from a gradual growth rate to achieve the 25% CAGR over the next three to five years.

Vinayak Mohta: Understood. Two last questions. So the first one was on the margin front. How do you see these margins evolving or sustaining as we go towards that 25% CAGR mark? Should we expect to see some operating leverage between them? What would be the broad range that you would want, that you could give a guidance on?

And secondly, with the existing capacities that you have on the Limbasi front and the injectables coming through, how do you see the capex for the next three to five years? And what kind of peak revenue potential do these facilities carry? If you could have some guidance on that part?

Ankur Vaid: So like you said that we have much of the capex behind us. Now we would have some bit of maintenance capex only which will be to the tune of INR25 crores or so. As, now as mentioned earlier also that this year as well as the coming year is more about how we optimally utilize the capacities that we have put in place.

So much of the capex is behind us now. Talking about how the margins and the EBITDA are going to move in the coming years, I would say that, the EBITDA is definitely going to be moving relatively faster than or higher than what our sales numbers are going to be because of the operational efficiency being kicked in.

But this year, the delta may be slightly lower or maybe because while the Limbasi facility will contribute to the operational efficiency positively towards the EBITDA margin, the injectable facility will get commercialized in this year and we may see some impact of that. But all in all, it would be a positive impact. But the delta may not be as much as you would have seen in the previous year.

But subsequent years as the injectable facility would again start picking up and ramping up, you would again see that ramp up in the EBITDA margins once the capacity utilization also kicks in in the injectable facility.

In terms of the peak revenue, one should look I would say that the revenue guidance of around 25% CAGR over the next three to five years does consider that we would reach to optimal utilization levels for our three facilities or four facilities over the next five years, which would be closer to the kind of peak levels that one would look at. And of course, at appropriate time one could then build in additional capacities to kind of cater to the increased demands which would be there. And the Limbasi facility is built over close to 170 acres, so we have enough land in case any incremental capex needs to be done to cater to the increased demand there.

Vinayak Mohta: Understood. Perfect. Thank you so much.

Ankur Vaid: Thank you.

Moderator: Thank you. Next question is from the line of Monish Shah from Antique Stock Broking. Please go ahead.

Monish Shah: Yes. Hi. Good evening. So I had a couple of questions. One was, as we see introduction of new therapies like oncology and anti-infective share of revenue going higher. Are these gross margin dilutives compared to immunosuppression?

Ankur Vaid: No, not really. Because again, these products which we have introduced are becoming part of our portfolio have the same underlying principle of high complexity, less competition where we can bring value to our customers without diluting the margins that we have. So I think we do not see any margin dilutions happening with the introduction of these new products. And globally

you would see very few players on these molecules as well the ones that we are currently developing.

Monish Shah: Okay. And secondly, amongst your key products like Tacrolimus and Everolimus, there are different dosage forms that are going off until next year or year after. So just wanted to understand how big are these opportunities for you and can these products add materially to your API revenue and hence the guidance of 25% CAGR?

Ankur Vaid: Yes, so I think all these are inbuilt into the guidance that we share because certain customers have procured materials from us for the launch of those molecules as well. So whenever those launch -- whenever those products will become commercial it would positively be impacting us as well. And since Concord is one of the largest players on these molecules, one, as you would know, that we would become an ideal partner or the preferred partner for customers who are already with us or who intend to launch these products in the global markets. So definitely this would be a positive to our growth momentum.

Monish Shah: Okay. Got it. Thank you so much.

Moderator: Thank you. Next question is from the line of Huseain Bharuchwala from Carnelian Capital. Please proceed.

Huseain Bharuchwala: Just wanted to understand what was the reason for the fall in growth margins this quarter? Is it because of the change in product mix or is it because of some pricing pressure of some sort? Can you explain that? Because I think the growth margins, which were 80% in Q3, have come to 72% in Q4?

Ankur Vaid: So as I mentioned that there has been a challenge to us on the API pricing front but as mentioned earlier, this could be probably because of the mix between the formulation and the API, which could have, which has impacted the margin profile for that specific quarter. But if you would look at, say, our quarter 2 number, that would look very, different from our quarter 4 number because, the mix at that point of time was very different from the mix that you see in quarter 4. And hence, I say that, one should look at us from the annual basis because at times, that mix at times could impact the growth margin levels. But from a pricing front, we do not see any challenge at the API level.

Huseain Bharuchwala: Got it. Okay. Thank you.

Moderator: Thank you. Next question is from the line of Chintan Sheth from Girik Capital. Please go ahead.

Chintan Sheth: Thank you for the follow-up. Sir, on the mix side, if you look at this year's mix in API and formulation, we are almost already at 80-20 right now, API and formulation. With Injectable coming in and with the ramp-up of Limbasi how do you see this, say, in three years, five years, time frame mix changing from current level to what? Because you are already building in 25% CAGR growth in terms of, future growth expectation. How do you see…

Moderator: We have lost the connection from the current questioner. Meanwhile, we will move to the next question from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.

Alankar Garude: Thank you. Sir, can you provide some qualitative inputs on the market share trends in some of the key immunosuppressant products? Maybe if you do not want to comment on it on a molecule-wise basis but just a broader colour on the top few products and the market shares would be really helpful.

Ankur Vaid: So of course, as Immunosuppressant's contributes, significantly to the API mix, while the share has come down over the last year, it is still, contributing quite significantly to the overall sales mix. And in that space, products like Mycophenolate, , Mycophenolate sodium, Cyclosporine, Tacrolimus and Everolimus are the four key molecules that are there. And we are seeing good traction on all these molecules.

With the ANVISA approval coming in, there are new geographies that are also opening up for us. And also, with the Bavarian inspection happening, compared to the last year, this year, we would see certain addition of the product into the European market as well. So definitely, we see good potential and still there is a lot of room for us to grow in these four, five molecules, while the rest of the 2025 molecules are also growing, as I mentioned, at a much faster pace.

But from a revenue contribution perspective, maybe, they are having less weightage but the growth rate on those molecules are much higher than what one would see. And that being said, these four, five products, we were close to like around 20% last year and they've slightly moved ahead on those products on a market share level. But still, there is a lot of room for us to grow even in these four, five molecules.

Alankar Garude: Understood, sir. So the second question is on CDMO. Any sense on the scale as of FY '24? And when you talk about executing one more contract and I think in the previous call, you had spoken about, I mean, being more aggressive. You mentioned that this time around as well. So I mean, what are your thoughts as far as scaling up of this business is concerned over the next 3-5 years?

Ankur Vaid: We are very, very optimistic and very excited on this CDMO opportunity because, as I mentioned in the previous discussions as well, that we have the regulatory approvals in place, we have the capacities in place and we have the relationship with the customers. And we have been filling out several RFQs. We are reaching out to some of the innovators, large generic players as well.

And exploring this opportunity in the CDMO space because whatever is happening now in China, which has been largely a CDMO, most of the CDMO opportunities were always towards, earlier were towards Europe and then kind of shifted towards China. But now with everything happening in China, companies are looking at de-risking themselves and looking at other opportunities or other players to kind of cater to their needs. So it's a time thing.

I think we are reaching out, we are looking and evaluating. And now this could happen probably in the next 6, 9 months or it could happen in a year, year and a half. But I think we are taking steps in the right direction.

It is a matter of time when that would fructify. So we are just kind of working towards that and hopeful that it would happen soon there.

Alankar Garude: Sure. And possible to call out the sales number for FY '24 from CDMO?

Ankur Vaid: As I said that we have not built in CDMO into our guidances as well because since there is no clarity on that and, there is a lot of uncertainty into when that would happen. We have not built those into our guidances even when we talk about on a long-term guidance. So if this would happen, this would definitely be a positive impact on what we are foreseeing going forward.

Alankar Garude: So FY '24 CDMO sales were minimal, maybe less than INR30-INR40 crores. Would that be a fair assumption?

Ankur Vaid: That's correct.

Alankar Garude: Okay. And one final question Ankur is, you spoke about margin expansion going forward, maybe less so in FY '25. If I look at FY '26, assuming we see some decent initial traction in the injectables facility plus Limbasi utilization would be much higher than along with the formulations capacity.

I think given the fact that API growth is likely to pick up faster compared to formulations, the amount of expansion likely in FY26 is going to be quite high. But then, I mean, we would already be at 44%, 45% or a better margin. So I mean, at those levels, do you still think that there is scope for efficiencies and operating leverage to drive a further expansion from those levels?

Ankur Vaid: So actually come to look at it, the injectable space is actually very interesting because the kind of integration that we are going with, definitely once we are commercial in the emerging markets, there would be a lot of opportunity there in the injectable space. However, timing is something that one cannot talk about and it would be too early for me to kind of talk about the timing here because, again, different markets could have different timelines to kind of commercialize. But once commercial, I think we would be making a lot of fast inroads in terms of capturing the market share because of this whole integration approach.

But coming to that how much of margin expansion can happen from the API - beyond a certain point, the delta will keep diminishing. It is not that it would be every year you would see 2, 2.5, 3% delta as capacity utilization starts getting in. Beyond a certain number, the delta would be there but it would be lower compared to what you would have seen when the capacity utilization was, say, at 10% or 15%.

So one has to factor that once you start looking at a 4-5-year period. But, of course, in the initial period, like this year or the coming year, the delta would be higher. Of course, for this year, it would slightly get compensated by the injectable coming in.

But that's how I would look at how the margin expansions would happen from the API front.

Alankar Garude: Sure, that's helpful, Ankur. Thank you and all the best.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we will take this as the last question for the day. I would now like to hand the conference over to the management for the closing comments.

Ankur Vaid: Thank you everyone, for joining on our quarter 4 FY '24 earnings call. And we hope you've been able to address all your queries. For any further information, please get in touch with us or SGA, our Investor Relations Advisors. Thank you, once again and have a great evening. Thank you.

Moderator: Thank you very much. On behalf of Concord Biotech Limited, we conclude this conference. Thank you all for joining us and you may now disconnect your lines.