



## FDC Limited

MANUFACTURERS & EXPORTERS OF FOODS, DRUGS & CHEMICALS

Date: December 09, 2021

To,  
BSE Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai - 400 001

National Stock Exchange of India Ltd.  
Exchange Plaza, Plot no. C/1, G Block,  
Bandra-Kurla Complex, Bandra (E),  
Mumbai - 400 051

Scrip Code: 531599

Symbol: FDC

Subject: Transcript of the Analysts / Investors Virtual Conference Meeting held on December 02, 2021 at 3.00 p.m. (IST).

Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

Dear Sir/Madam,

This is with reference to the Analysts / Investors Virtual Conference Meeting held on December 02, 2021 at 3.00 p.m. (IST). The transcript of the said Analysts / Investors Virtual Conference Meeting is enclosed herewith.

The aforesaid transcript shall also be made available on the website of the Company i.e [www.fdcindia.com](http://www.fdcindia.com).

This is for your information and record.

For FDC Limited

Varsharani Katre  
Company Secretary  
F-8948



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“FDC Limited Conference Meet”

**December 02, 2021**



**FDC MANAGEMENT TEAM:**

**MR. MOHAN CHANDAVARKAR – MANAGING DIRECTOR**  
**MR. NANDAN CHANDAVARKAR- JOINT MANAGING DIRECTOR**  
**MR. AMEYA CHANDAVARKAR – CEO - INTERNATIONAL BUSINESS & EXECUTIVE DIRECTOR**  
**MR. SANJAY JAIN – CHIEF FINANCIAL OFFICER**  
**MS. VARSHARANI KATRE – COMPANY SECRETARY & COMPLIANCE OFFICER**  
**MR. MAYANK TIKKHA – AVP - BUSINESS DEVELOPMENT & COMMERCIAL EXCELLENCE**



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**Moderator:** Ladies and gentlemen good day and welcome to the FDC Limited Conference Meeting.

At this moment all participants are in listen-only mode. Later we will conduct a question-and-answer session. At that time, you may click on the raise hand icon from the toolbar to ask a question. When your name is announced, you are requested to enable the video slider on the prompt and accept the popup to proceed with your question after the management session concludes. Please note that this conference is being recorded.

I would now like to hand over the conference to Ms. Varsharani Katre, Company Secretary & Compliance Officer of FDC limited. Thank you and over to you Madam.

**Varsharani Katre:** Good afternoon everyone and welcome to all of you. Glad to connect with you all virtually. I hope all are safe and healthy during the pandemic times. I would like to introduce the FDC Team present in this Virtual Meet.

We have with us, respected Mr. Mohan Chandavarkar - Managing Director.

Mr. Nandan Chandavarkar - Joint Managing Director.

Mr. Ameya Chandavarkar – CEO-International Business & Executive Director.

Mr. Sanjay Jain, Chief Financial Officer.

Mr. Mayank Tikka, AVP - Business Development & Commercial Excellence.

We will begin the Conference Meet with the highlights on the Business and Financial Performance of the Company from the Management, followed by an interactive Q&A session.



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There might be certain forward-looking statements. These statements are subject to certain risks and uncertainties since they are based on certain assumptions and expectations of future events.

I would request the speaker participants to put on their video so that it would be a face-to-face virtual meet with our stakeholders. With this, I shall now hand over the meeting to Mr. Mohan Chandavarkar – our Managing Director. Over to you Sir.

**Mohan Chandavarkar:** Dear Investors, warm welcome to Analysts/Investors meet. This being the first meet, I thought I will have the occasion to refresh you on few milestones since inception.

FDC's journey started in the year 1936 as Fairdeal Corporation as a Partnership Company. Late Shri. Anand L. Chandavarkar, my father, a young graduate from Bombay University, with Science background, with his active involvement started this venture. My father from very modest family background initially was employed in Dhrangadhra Chemicals, as a Manufacturing Chemist. Employed in Bombay Garage as a car salesman, Popular Book Depot in sales assignment, started this venture of import and distribution of pharmaceuticals in the country from a small, rented office at Laxmi Building, Sir P. M. Road.

Popular brands from renowned manufacturers like Ross Laboratories, Similac, range of vitamins from Walker Vitamins, research products were promoted and distributed with small field force, across the country, to medical profession. Range of Penicillin products were also made available at the earlier stage of introduction in the world, as early as 1947, first time in India. This activity and service to medical profession gave him confidence to convert in the year 1940, this venture into a corporation with a mission to innovate, manufacture and market high quality healthcare products that could enhance the quality of human life across the globe.



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Soon after independence, in 1949, he started with totally indigenous knowhow and participation manufacturing plant in Jogeshwari, Mumbai. At this site in addition to pharma manufacturing, a surgical absorbent cotton wool plant from raw cotton to pack form conforming to IP quality standard and the main criteria was very precise limit of absorbency for this product was essential.

During his tenure with limited financial resources, when the pharma industry was dominated by multinationals, he had to undergo tremendous stress which impacted his health and he passed away at the age of 54. Thereafter, Late Shri. Ramdas. A. Chandavarkar, Managing Director, Emeritus took charge of management upto 2001.

Before I proceed, let me introduce myself. I am Mohan. A. Chandavarkar, Managing Director of FDC Limited. I joined the Company in the year 1958 after Graduation in Science stream from Bombay University. My initial training was given in Haffkine Institute in analytical work in the laboratory. I joined the Company as an apprentice and had to undergo full training schedule reporting to technical head and various manufacturing sections.

Although FDC had been family managed Company all along, it was a blend of professionals and working promoter family members. There are professionals who have risen to the rank of Executive Directors on the Board. Being a people-oriented organization even today, we have large number of people having worked and recognized for 15, 20, 30 years' service.

In the year 1963, introduced a range of Ophthalmic products for glaucoma, anti-inflammatory, anti-infection and combination of antibiotic and corticosteroid first time in the country, at least from a Indian manufacturer, which gained a very good market share in Indian Pharma Market.



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Epidemics of conjunctivitis was a common feature and during this time, our two popular brands Vanmycetin, containing 0.3% chloramphenicol and combination of corticosteroid with chloramphenicol was, by word of mouth, it was a very popular home remedy for conjunctivitis for a long time.

In the year 1972, introduction of ORS, well-known Brand Electral, shortcut to IV therapy was made. Today, our brand Electral is in a leading position. We have built capacity which meets country's demand and also exports as ORS world over.

In the year 1976–1977, as per Government directive to encourage indigenous capacity of manufacture of basic drugs, it was a requirement that formulation manufacturers could introduce only new formulation they established and produced 10% value of formulation by production of API were granted license to new products. And that's why to meet with this requirement in 1977-1978, we had set up API plant in Roha. Today, we are manufacturing Flurbiprofen, Timolol Maleate, Brinzolamide, Dorzolamide, Cinnarizine, Flunarizine, Fluconazole, Latanoprost and Bimatoprost and most of these items have US-FDA approval.

We got US-FDA approval in the year 1985 and most of these items that we manufacture as API have got a backward integration. All over exports of Ophthalmics are supported by a basic manufacturer of most of these items which are used as Actives in Ophthalmics for US generic market.

With this Ophthalmic market getting acceptance in the year 1994, we had lot of capacity constraints and with a conventional pack of glass vial, rubber stoppers and aluminum seal, it was not a really large-scale production capability. That's why we invested in two Ophthalmic automatic packaging machines in the year 1994. We ordered two



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automatic packaging machines with sizeable outlay and a high cost of investment with loans and advances from Banks and Financial Institutions.

In the year 1996, the Company listed on National Stock Exchange and Bombay Stock Exchange. Since then, we are a no debt Company and fairly large cash which is being deployed for R&D capacity, enhancement at all seven locations along with quality control labs with the increasing requirements to meet world quality systems.

In 1998, we got UK-MHRA approval for Ophthalmic facility at Waluj. Similarly, we got accreditation for Waluj Ophthalmic facilities with respect to ORS in 2005. In 2008, we were awarded US-FDA approval for our new Baddi plant for Cephalosporins.

FDC is fully integrated Pharma Company with R&D formulations, engaged in domestic dosage forms as well as ANDAs registration for ROW countries.

R&D Synthetic for manufacture of APIs which are conforming and meeting DMF requirements for USA as well as CEP registrations all over the world.

R&D Biotech is also at the initial stage supported by an integral method development for ANDAs, DMF, medical services, pharma covigilance support and BE studies.

FDC develops, undertakes contract manufacturing for ANDAs for overseas market at our US-FDA and UK-MHRA approved sites.

FDC is currently ranked at 22<sup>nd</sup> as per IMS, in the domestic market. Approximately, 6000 people are working for the Company out of which 4000 in marketing, over 400 scientists picks up and engage in R&D and Quality System Management.



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Thank you, over to Mr. Nandan Chandavarkar-Joint Managing Director.

**Nandan Chandavarkar:** Good afternoon all. I would like to summarize the key highlights of our Company. FDC has always been aligned towards growing steadily and on a strong foundation. Our three primary pillars to achieve this are a strong domestic business, a best-in-class manufacturing, and regulatory track record and strong financials. Our efforts to create high growth brands and categories have now become strong levers to drive growth. Brands like Zifi, Electral, Ophthalmic, constantly innovating our Functional Foods portfolio have a strong foothold in the Indian Market now.

Our array of plants which holds a strong portfolio of accreditations and arsenal of capabilities contribute to us, exporting globally to over 50 countries. Our initial investments in the Company have provided us with a solid infrastructure to grow FDC to where we are right now. FDC has seven state-of-the-art manufacturing facilities all over India, namely at Waluj, Goa, Roha, Sinnar and Baddi. They hold multiple global accreditations and possess critical capabilities for specialized products.

Our Waluj plant possesses capabilities in Ophthalmic preparations, Oral Liquids, Oral Rehydration Salts, and External powders. Goa Plants I & II are focused on Oral Solid Dosage forms and rehydration salts. The site is approved by MHRA which is a GMP approved facility for capsule manufacturing. Our third Goa facility is purely focused on tablets in oral solid dose forms. The Roha site is dedicated to API manufacturing and holds various accreditations. Our plant in Sinnar contributes majorly to Functional Foods vertical along with supporting our ORS efforts across the Company. The Sinnar plant also has the ability to manufacture Spray Dried infant food supplements.





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Our Baddi plant has various accreditations, focuses on Cephalosporins, Oral Solids, Oral Powders and Order Liquids.

Moving on to the Financials, our domestic sales contribute to around 87% of the total revenue, while export sales contribute about 13%. The domestic sales, anti-infectives and the gastrointestinal products contribute to almost 59% of the overall revenue. With other categories slowly building momentum in the market, our goals are aligned to maximizing the reach that our categories have across doctors in India.

As per the MAT September 2021, we have achieved a 17.3% growth. The jump from 2020 to 2021 is tangible and is estimated that at Rs.258 crores. With the domestic sales growing with the above, figures our export sales have also seen a growth of about 25% in the FY 2021. With the ongoing pandemic scenario, we continue to witness normal operations across Manufacturing Units, R&D center, and Corporate Office. At the Company, we are committed to protecting health and well-being of our colleagues and their families. We also continue to implement rigorous safety and hygiene measures across all locations without any compromise. We are very thankful to all our colleagues for rising to this challenge and ensuring business continuity. Thank you.

I will now hand over to Mr. Sanjay Jain and Mr. Mayank Tikkha to deliberate in detail on the presentation which you all have already received. Thank you.

**Sanjay Jain:**

Good afternoon all, myself, Sanjay Jain, Chief Financial Officer of the Company. I hope you all must have gone through our presentation, which has been made available to you. I will take you through the presentation briefly along with Mr. Mayank Tikkha, who heads our Business Strategy and Development.



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We have broadly segregated our presentation in three segments. In the first segment, we have covered our strong domestic formulation business which is supported by our flagship brands like Zifi, which is an anti-infective brand, and a well-known brand like Electral in ORS segment. Our domestic business also includes our legacy on Ophthalmic range of products and strong portfolio on functional foods and energy drinks. This will be elaborated further by Mr. Mayank Tikka.

In our second segment, we have given a synopsis of our manufacturing plants located at various locations with updates on regulatory approvals as on date. Lastly, in the third segment, we have highlighted a few financial numbers, ratios and indicators of the past few quarters which reflect the high financial capacity of the Company for the future growth.

Now, I am coming to the revenue part in the first half of the current year, our domestic contribution to overall revenue is at 87% and international business is at 13%. The same ratio for the last financial year was at 75% for domestic and 25% for the international business. Our international business has increased to Rs. 323 crore in Financial Year 2021 from Rs. 163 crores in Financial Year 2016-2017.

Now, I will hand over to Mr. Mayank to take you through the domestic formulation business.

**Mayank Tikka:** Thank You, Mr. Sanjay. Good evening ladies and gentlemen. This is Mayank Tikka, I head the marketing and sales operations for FDC Domestic. As Sanjay mentioned, our domestic contribution to the overall Corporate Earnings is at 87%. I would like to elaborate further on this 87% into various categories and segments where we operate.



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As you can see in the pie chart, anti-infective contributes almost 34% to our overall revenue, gastrointestinal gives us 25%, 8% is contributed by vitamins and minerals, 7% comes from derma category of products, Ophthalmological give us 6%, Cardiac is 5%, antiviral drugs give us 4%, and 3% revenue comes from gynec and respiratory category of products, 5% are others apart from what I mentioned.

If I quickly take you through the domestic secondary sales data points as reported by IQVIA, MAT September 2021, we have substantial growth rates in this last 12 months, cumulating to 17.3%, we have overall clocked the figure of 1752 crores, as per MAT September '21.

In sales and marketing, as elaborated by Managing Director, we have a strong presence in the field of approximately 4000 plus team members on the ground, which are working across nine divisions, marketing approximately 130 odd products.

If I can elaborate further on our top 10 brands, which are in front of you, what I would like to highlight that out of these top 10 brands for FDC, Seven brands are ranked No. 1 in their respective molecular categories, enjoying a substantial market share. Two brands are at No. 4 position in their respective molecular categories and One brand stands at 7<sup>th</sup> rank.

I will quickly touch upon the top brands, Zifi our flagship brand in Cefixime has clocked figure of Rs. 284 crores, overall market share is 24.8%. Electral, our oral rehydration product enjoys the No. 1 position, the figure reported by IQVIA is Rs. 283 crores, enjoying a market share of 70.1%. Third in line is Enerzal, our product in the Energy Drink category clocking a figure of Rs. 113, market share of 42.2%. Zifi CV our brand in Cefixime Clavulanic Acid, reporting a figure of Rs. 54 crores, market share of 40.1%. Zocon, our brand of Fluconazole, Rs.53 crores, market share of 26.7%. Zifi-O, Cefixime +Ofloxacin, Rs.48 crores, 11.7% is the market share. Similarly, in Zifi infant formula, Rs.23 crores, 78.5% is the market



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share. These are the top seven leaders. Apart from this, AMODEP AT, our brand in the target category of products, ranked fourth, overall turnover is Rs. 47 crores, market share 7.7%. Zathrin, Azithromycin Rs.63 crores, 4.4% of the market share. And finally, Vitcofol, our flagship brand in the haematinic category, drawing a figure of Rs. 78 crores, market share of 2.60%.

In the next couple of slides, I will touch upon some of the top brands starting with Zifi. To give you more insight how the dynamics is there in the overall market, Zifi category leader in Cefixime, and I am happy to tell you that we are maintaining a leadership position in this molecule. We have maintained our market share of 24% plus right throughout the last three years or rather I can say from 2019, we have improved our market share by 0.8% to 24.8%. Yes, there is a fierce competition in the market with the Brand of Taxim-O. But we have maintained our leadership right throughout, Taxim-O stands at 22.5% in Cefixime market.

Next is Electral, our flagship brand in the WHO category of ORS, and I can proudly tell you as mentioned by our respected Managing Director, FDC was the pioneer in formulating Electral or rather we can proudly say that we give the concept of ORS not only to the Indian market, but to the world market. Here, we enjoy very good market share of 70.1%. Yes, the competition is always there, but we are far ahead of the competition. Why I say so, because the next in-line brand is Relyte at 13.3% only. Yes, we are working our level best to improve our penetration into this buoyant market with enormous opportunities in India.

Next is Enerzal, category leader in energy drink. Here we also enjoy a market share of 42.2%. There has been a slight dip in the last couple of years, mainly because of the competition in this category which quite enhanced ORSL, ORSL+ brands have definitely moved ahead. But yes, we are very confident that we will maintain our leadership and we are doing



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our level best to maintain this 40% market share by introducing more variants, flavor systems, and multiple SKUs.

Next is a brand which has been a very recent creation of last five, six years, and I will proudly say it's Zifi CV. As I said Cefixime+ Clavulanic Acid. We have grown substantially in our market share in the last three years which is evident in the slide from 36.1% we have moved to 42.6%, in 2020-2021. And here we have beaten Taxim-O by a substantial margin, Taxim-O CV stands at 9.9%. So, this is one brand where we are very buoyant and we will try to capitalize on this further as we have done with our flagship brand Zifi.

Ophthalmic has been always close to our heart and we are very happy to tell you, we still maintain third position in terms of volumes. Yes, on the value proposition we are ranked 10, this is majorly because our products are very economically priced. And this has been the ethics and ethos of the Managing Director that we do provide ophthalmic solutions at very economical prices to the Indian patients. Having said this, considering the changing environment and changing economy in India, we will definitely work on the value proposition in the years to come.

I will quickly take you to the AWACS highlights of MAT September 2021. As per MAT September 2021, FDC value growth stands at 22.2% against a market growth of 15.2%. Not only this, in terms of volume growth also FDC stands at 16.6% against the market growth of 7.1%. This volume growth is very satisfying internally for FDC, as a Company, because we have always been dependent on our prescription sales in the domestic market. If I can add so, FDC is ranked the fifth fastest growing Company among the top 25 corporates in terms of value. In terms of volume, our rank is further high, at fourth fastest growing Company among the top 25 corporates.



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As we mentioned earlier that apart from antibiotics, we are also focusing now on the functional foods. And these are some of the highlights given below, are the new launches or maybe innovations in our product namely Zefrich, Turmyl, Simyl LBW, Humyl, Enetro Plus, MumMum, Simyl MCT Oil, Zioral and Calyumm P . These are all our products in Functional Foods and Nutraceutical categories.

Yes, last year, we had a challenge of COVID. And the market demands were there for COVID preparations of drugs which are used in those therapies. So we entered into the market of Favipiravir with our two brands, PiFLU and Favenza. We also introduced Triguard, our brand of sanitizer with two variants Triguard Hand Sanitizer which was a gel-based formula. And we also launched Triguard Hand Rub.

Apart from this, couple of prominent launches in the last 12 months have been Salmodil a range cough preparations, Salmodil DX and LS. We also entered into the buoyant injectable market or rather antibacterial injectable markets with the brand name Zifi CF. We have also launched 99F in the Paracetamol market, with 99F 650 in the tablets and also Suspension. ETA is a brand of Bilastine, which is very buoyant in the market, in the anti-allergic category. Over to you, Sanjay.

**Sanjay Jain:**

Coming to the slide 16, we have highlighted the numbers on the International Business, where we have given the country wise breakup of sales for formulation and API business, for the first half of the current year. On the formulation side, 46% of the revenue is coming from U.S. market, followed by 12% in UK. On the API side, 19% of the revenue is from Japan, followed by Germany and Taiwan at 14% and 12% respectively.

In the next slide, on the quarterly performance, in the last quarter, we have registered the top-line revenue at Rs. 396 crore with 7% growth on overall YoY basis with a strong domestic growth at 26% on YoY basis, inspite of the COVID lockdown due to the second wave challenges. On the half



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yearly basis, we have registered the top-line growth at 23% on overall YoY basis, with 45% growth in domestic business. On the EBITDA side, we have able to maintain the same at a healthy level of 24% in spite of various challenges in the International formulation business.

On the next slide, on the half yearly basis, we have registered the top-line revenue at Rs. 841 crore against Rs. 682 crore of last year with 23% growth. Operating expenses looks on the higher side, because in the last year due to COVID outbreak, some of the major expenses like sales promotional expenses, and field travel related expenses were at a minimum level. And hence it shows the increase. However, we have been able to maintain the healthy PBT margin at 26% and a PAT margin at 21%.

Moving to the next slide, we have highlighted our performance for the past five financial years. And you can see there is a steady growth on the sales side from Rs. 146 crore to Rs.1,316 crore on a top line with a consistent EBITDA margin as well. The EBITDA has grown from Rs.292 crore to Rs.421 crore and net profit-after-tax has grown from Rs.187 crore to Rs.294 crores.

Moving to next, we have highlighted some of the Financial ratios like Return on Equity. So up to the last Financial Year, we have registered the ROE at 39%, working capital days at 68 days, around two months, Book value Rs.102 per share and the free cash flow per share at Rs.14. Thank you.

**Varsharani Katre:** Thank you all. So, now I request moderator to initiate with the Q&A session.

**Moderator:** Thank you very much, madam. Ladies and gentlemen, we will now begin the question-and-answer session. To ask a question please click on the 'Raise Hand' button on the toolbar or the Q&A tab and click raise hand. The operator will announce your name when it is your turn to ask a



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question. Please unmute your Microphone and enable the video slider on the prompt to put on your Camera, please accept the prompt to proceed with your question. All the participants are requested to restrict your queries for not more than five (5) minutes. Ladies and Gentlemen, we will wait for a moment while the queue assembles. Thank you.

The first question is from the line of Ms. Neelam Punjabi from Perpetuity. Please go ahead, Ms. Punjabi.

**Neelam Punjabi:** So my first question pertains to the domestic business. So if I look at your 10-year history, historically, FDC has grown at around mid-single digits, the domestic piece. And all of a sudden in FY20, we saw a very high growth rate of above 20%. So I wanted to understand what was the reason behind it? This is my first question.

My second question on the domestic piece is that in the first half, we have seen a 45% YoY growth. Do you think that this kind of growth rate is sustainable going forward? And in the next two to three years, where do you see domestic business going?

**Mayank Tikka:** Yes, hi Neelam, I appreciate your question. Your pointer was pretty right, yes we have grown in a single digit. So what has changed in the last couple of years is that we have optimized ourselves operationally in the field and we are very focusing on our core. And if you would have observed in our presentation that we have focused in the first year on our top five brands, and we have optimized ourselves in the antibiotic category of products and gastrointestinal which majorly is driven by Electral and Enerzal. So, this was step number one.

Yes, we are continuing that process, we are excited by our performance and the reflection what we got in the last two years. And moving forward, we would be working on maintaining these kinds of growth rates by adding some more category of products and some more therapeutics as I mentioned





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in my presentation. So, these are minor changes, operational changes which have resulted into this kind of growth rates.

**Neelam Punjabi:** So, are we confident of growing ahead on the market going forward?

**Mayank Tikkha:** Yes, we are very confident, but having said this, yes, these are testing times during COVID. Nobody can estimate what happens next, but if you would have seen a reflection in the last 12 months, with or without COVID, we have maintained our growth rates far ahead or better as compared to the market. Yes, it is always a challenging task to grow further, but we are very upbeat about it, and we are working towards it.

**Neelam Punjabi:** Are you planning to enter into any new therapy areas for your growth in the domestic business?

**Mayank Tikkha:** I would say not in a big way, we will first try to consolidate ourselves in therapeutics where we are already present. Again repeating myself, there are many category of products or therapeutics where we are present, but we are not big enough as for the market opportunities. So we will try and work our way through the next three category of products where we are already operational. We don't find any need as of now to venture into a completely new market, at least for next, maybe 12 months from here.

**Neelam Punjabi:** And lastly, I want to understand if I look at your international piece, in the first half this business has almost halved on a YoY basis. So can you just explain what was the reason behind it, and where do you see your exports business going forward?

**Ameya Chandavarkar:** So, the first quarter this year has been a challenge, and also the second quarter for our U.S. business. Specifically, our U.S. business has brought the overall international business down, and that is because of increase in competition for few of our products. So we are currently selling only Ophthalmic products. So, competition has increased, there has been some



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price erosion. And therefore also market share, to an extent has gone down. So, that is a single driver for the, let's say lower performance or poorer performance this first half compared to last year first half, because last year we had an extraordinary year in the U.S.

**Neelam Punjabi:** Right, so going forward it is like around 14 crores of quarterly revenue on the formulation exports base and would you be able to grow from here around mid-teens or if you can just give a growth rate?

**Ameya Chandavarkar:** We do not want to give guidance or give you any specific growth rate but definitely for the rest of the year, we believe we can close the gap and we are making efforts to file more ANDAs in the US, register more products in other international markets, so our goal will be to keep expanding the product basket, and since the base is low there is scope for us to increase our sales in the international markets. Also, for the US in many cases, as MD Sir said, we are backward integrated so we have the ability to control cost right from the APIs to the formulation, so we are quite I would say bullish about the future for our international business.

**Moderator:** Thank you very much. I now invite Cyndrella Carvalho from Centrum Broking. I request you to please unmute your microphone and enable the video slider on the popup to turn your camera and accept the prompt to proceed with your question.

**Cyndrella Carvalho:** Yes, thank you for the opportunity and thank you management team for giving us this meeting with all of you today and we really request you to keep this as a continuous interaction with investors. This will help us understand the Company better and the management strategy towards the business in a very good manner. So, thank you so much and I request you to please continue with these kind of interactions, going ahead. Coming to the questions, I mean questions remain pretty similar. However, if you could highlight what kind of strategy change that we are aiming in terms of our domestic business? We have done a lot of change in terms of our marketing



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strategy in the domestic market in past, however then we saw the pandemic hitting the entire industry, so how is the performance around those strategy changes that we have done? If you could talk about your MR productivity and what kind of strategies we are working around this MR productivities to help us come closer to our peer level in our acute driven business? If you can highlight this will be very helpful. The second point remains on the US side. If you could help us understand, what kind of new products are you talking about and what is the pipeline there? Is there any change in terms of number of filings that we can expect in this market and how should we see that coming up over two to three years? These two questions first and then I will add more. Thank you.

**Mayank Tikka:**

So hi. I feel I have answered your question partly in the first question but I will repeat for your sake. As I said, we have not made any massive changes in our strategy starting from 19-20 onwards. What I said that we were spread too thin within the therapeutics where we are operating and we found that maybe the last 10 years we could not justice with all the therapeutics where we trying to operate. So we went back to the basics and as I said that we were focusing only on consolidation in the antibiotic category Electral, Enerzal, Vitcofol, Zocon; these kind of products which are our core and this contributes to almost more than 50% of our revenue and I am happy to say that you might have also observed that we got fairly good success in 19-20 by making these changes, yes pandemic came in between and we lost the momentum but yes we came very strongly in this Financial Year and this Financial Year, you might have seen that we have outperformed the market in all these category of products where we are operating. You saw in my presentation also, the top 10 brands. They have gone emphatically in the marketplace. Now, you also asked about the productivity quotient, so I can say before 19-20, our productivity per MR was close to not very specific number but close to 2.5 lakh per head per month which has gone up to 4 lakhs this year. So, we have optimized not only our product portfolios from our focused standpoint but also we have



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worked deliberately quite hard on the productivity piece when it comes to the MR operationally. So these are the changes which we have made. Over to you, Sir for International.

**Ameya Chandavarkar:** So Cyndrella, thank you for your question. So, in the US, we have been selling about five ophthalmic products currently. You are probably aware of them, Ciprofloxacin, Timolol, Dorzolamide and Dorzolamide Plus Timolol, what are the filings in the pipeline so what is in process, right? So we filed cefixime, range of cefixime oral dosage forms, that is in the pipeline, olopatadine eye drop is in the pipeline and also we filed Otic solution. So, these are the products in the pipeline. Our goal is that we will file at least two ANDAs every year on the bare minimum, maybe the number could go up to three or four in some year, so we are slowly but surely increasing our focus and investment in filing more ANDAs because we believe that the US market is a lucrative market and we have been able to compete, we have been successful there, we have what it takes to succeed there, so it remains a top priority market for us.

**Cyndrella Carvalho:** Thank you so much for that and just to highlight again on the domestic market, if I look at our positioning and our strong brands remain ahead of market, and there are brands like Zifi, there are brands like when we have some bit of competition. However, our positioning is on the leading side. So, if we look at our covered market, would we be able to say that internally the management focuses on growth ahead of this covered market where we are present and if so like would it be 3% to 4% higher than the covered market or you want to compare with the acute segment and say that we will be higher around the acute growth of the market by 3% to 4%. Any indications around here would like slightly helpful.

**Mayank Tikka:** Yes, so as I said that we are focusing on our covered market, but within our covered market we have chosen some of the therapeutics as I said and I understand your question. Maybe you are trying to look forward that what



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do we do apart from Zifi? So we have many antibiotics in our portfolio which are not their category leaders, so looking into the success of our top portfolio we are trying to work our way to push for these molecules in their respective molecular category and I did touch upon Zifi CV recent creation, if you record, we have substantially capitalized on the market share in the last two years, so this is one success. There are a couple of more which we are working now. I will not share the brand names as of now but you know our portfolio. It is in the public domain. So we would like to push our way forward in the antibiotics much more emphatically and obviously as I said that Electral, Enerzal are category leaders and this is just I would say tip of the iceberg. This market is very buoyant. It does not have any boundaries. It is for us to think and grow the way we want. So we are working on these two category of products also in a big way. Apart from this, we also touched upon the functional foods, multivitamins, these are categories where we are present so it is in my covered market, but am I the category leader, the answer is no. So these are opportunities for the future which we will definitely try to work upon. And I hope you understand that when we started growing in 19-20, all of this could not be done in one go so we have benchmark for every year how do we move forward, so definitely there are plans to outperform the market in the years to come.

**Cyndrella Carvalho:** This is a bit on the normal book keeping question. On the DPCO side, what is our current exposure and any impact of the current NELM though not yet notified officially but the list which was circulated that we anticipate on our basket, anything you have seen? The other thing is on the CAPEX. These two questions and I will join back. Thank you.

**Sanjay Jain:** So Cyndrella, as of now, whatever list is out we do not have any impact on the NELM side and as far as your second question with respect to the CAPEX so we have already informed to all our stakeholders we have been installing our fourth ALP line and amount would be somewhere around 70 to 80 crores, project plant of around two years or so. Apart from that, we



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are also going to develop our own Corporate Office which will have a budget of around 180 to 200 crores. Also, we have a routine replacement and upgradation CAPEX budget every year to the tune of 40 to 50 crores. These are immediate or planned CAPEX budget for the Company.

**Cyndrella Carvalho:** Current DPCO percentage on sales would be at?

**Sanjay Jain:** This would be somewhere around 44% of total revenue.

**Cyndrella Carvalho:** Thank you so much. I will join back in the queue.

**Moderator:** Thank you. Before we take the next question, we would like to remind the participants to please restrict your questions to five minutes. Participants are also requested to click on the raise hand button on the tool bar or click on the Q&A tab and click raise hand to join the question queue to ask their questions. I now invite Aditya Khemka from InCred PMS to please go ahead with his question. I request you to please unmute your microphone and enable the video slider on the popup to turn your camera on and proceed your question, Mr. Khemka.

**Aditya Khemka:** Thank you for the management team for hosting this call, really appreciated by us as investors and just like the previous participants mentioned we would really appreciate if this could be a quarterly feature where after declaring your quarterly results, if you could just speak to us to half an hour to one hour. That would help us keep abreast with the developments at the Company level and that is the gold standard of operating if you look at your peer companies as well. So really, really appreciate if you guys can do that on a quarterly basis. Coming to the question. So question one, I think this is for Sanjay Sir. Sanjay, at a gross block level in FY21, we had total gross block of 900 crores. If you were to call out only those assets which are US-FDA compliant, what would their contribution to gross block be?



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**Sanjay Jain:** So our US related businesses is mainly driven from our Waluj plant and the overall gross block of Waluj plant is somewhere around 120 crores.

**Aditya Khemka:** And Roha too, right? Roha makes the API?

**Sanjay Jain:** So, there the gross block will be somewhere around 60 odd crores.

**Aditya Khemka:** So 120 and 60, so the dedicated gross block basically for US is broadly speaking is 180 crores. I understand that these plants would also be producing products for other geographies but largely these two plants would be?

**Sanjay Jain:** Let me clarify. These 120 and 60 crores gross block is of the Waluj and Roha plant respectively and we won't have a specific number for the US, we need to work out on that number which we can.

**Aditya Khemka:** I understand that. What I wanted to get at was if you continue to do your US sales run rate which was 19 crores and maybe 14 to 15 crores in the second quarter and first quarter, basically what I see is that your annual US revenue would be somewhere between 50 to 60 crores and that is after building up an asset base for the US which is 100 crores including the formulation and API so clearly you must be tremendously underutilized in your asset, so what is your capacity utilization at Waluj and Roha?

**Mohan Chandavarkar:** It is not specific US. It is making domestic products also. There is nothing specific.

**Ameya Chandavarkar:** So Aditya, just to clarify these plants you probably are aware that they manufacture products for various markets for example our API facility in Roha, we currently are supplying a lot to Germany, Japan, so probably the math that you are looking at in terms of okay 180 crores dedicated to US is probably not the way we would look at it. Sure, if your question is, can we do more in the US? Do we have capacity to do more in the US, definitely you are on the right track and we are working on that, for



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example, we are investing as Sanjay mentioned in a new ophthalmic line, ALP, what we call ALP4 which will again to a great extent cater to demand in the US market. For instance, our Baddi facility is also US-FDA approved but currently we are not telling anything. So, it is just in a way reflects our you can say capability to meet with these regulatory requirements.

**Mohan Chandavarkar:** Capacity is currently utilized for domestic.

**Ameya Chandavarkar:** Yes, Baddi utilized completely for domestic currently.

**Management:** Same with Waluj, Aurangabad. Capacities are primarily for domestic and we export. So it is not that we have facility built only for US or only for exports.

**Mohan Chandavarkar:** At all our locations, quality system is built on world quality system that is required to meet US-FDA, so at any time it meets with domestic requirements as well as any part of the world as far as quality standards have to be complied with.

**Ameya Chandavarkar:** So Aditya, what MD Sir is saying is that we follow a one quality policy.

**Aditya Khemka:** That is excellent. That is actually very-very comforting to know. Thanks for the response. I am just confused as to how do you go from 190 crore revenue in FY21 to a 30-crore revenue in US in first half of FY22. I know you touched upon it, there is price erosion, there is market share cost, but you sell six products in US, right? So in six products in US if you are doing 30 crores in first half, 60 crores for the full year let us say, you are doing like \$1.5 million of products. Have we withdrawn any product in the US or is it the price like declined 60% to 70%. I mean what exactly happened there. If you could give us more color it would be helpful for us to understand the fabric of the business that you are in, right?





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**Ameya Chandavarkar:** So, what happened Aditya is we were selling a lot of Timolol malleate eye drops and we had garnered over the last couple of years we had got about 50% to 60% market share, thanks to a couple of competitors dropping out of the market. Now, those two competitors have re-entered the market and they are significant players, so typically what happens is companies make room and they share the market, they co-exist, and that has what has happened in the Timolol market. Ofloxacin, something similar has happened, where we have had to co-exist, make way and so to that extent margins and therefore profits have also been impacted and you probably are familiar with how prices can change when competition increases in the US, so that has really what has happened. The base for us is not that significant compared to let us say other pharma companies where numbers can change quite drastically if the competitive intensity increases, so those two products we got hit. We are hoping this next half that we will catch up to an extent, but US business compared to last there will be a deficit for this year.

**Aditya Khemka:** I got you. And how are you hoping to catch up? What will change in the business for you to catch up, you will just launch more products and if yes, would those be more ophthalmic or more oral solid products?

**Ameya Chandavarkar:** We do not have an oral solid right now Aditya to sell in the US. We are looking at some contract manufacturing opportunities, but coming back to ophthal, to answer your question, it will be the same products plus we are looking at maybe increasing volume in a couple of other products, so we are doing our best. It is a bit of an upward slope right now.

**Mohan Chandavarkar:** In addition, we will be coming with Otic ear drops as well as olopatadine new percentage.

**Ameya Chandavarkar:** Olopatadine is still in filing, so we are expecting that we might get one, may be two approvals, soon and may be clock some sale in this financial



year itself for those one or two products. So efforts are on full swing, we are going to do our best to close that gap.

**Aditya Khemka:**

Understood. Given the difficulties we are experiencing in the US business and the kind of price erosion, market share loss that we are facing why are we putting up an extra ophthalmic line for the US? Do you think it is good capital allocation to do that?

**Ameya Chandavarkar:**

I will take that. Definitely Aditya, we actually had to at times rationalize our capacity, not only for the US but also for other markets that want products from ALP3, what we call ALP3, ALP4, there is appetite globally for our ophthalmic products that are packaged in a certain way that gives them maybe superior sterility, aseptic packaging that we use, blow-fill-seal technology, so we are not really concerned about whether that capacity will be utilized or not. We have done the math, we have looked at it from all angles, we have done thorough 360 degrees on this and it is definitely going to be an investment that pays off because we also have the domestic market where we are heavily invested in ophthal.

**Aditya Khemka:**

Understood. That makes a lot of sense. I appreciate. Just one last question on the domestic sales. So obviously we have seen extraordinary growth in the first half of FY22, to my understanding obviously partly led by the return of the acute sales which were not there last year because of Covid lockdowns, but I also believe that we were helped a little by a very good malaria and chicken guinea and dengue season this year where Electral, and Zifi kind of products get a good amount of prescription. I just wanted the management's sense on that because there was an extraordinarily good season this year. What this would imply is that next year if you do not get extraordinarily good malaria or dengue or chicken guinea season, then your sales next year will actually not grow very well because your ORS product will be sitting on a high seasonal base. So just wanted your thoughts on that.



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**Mayank Tikka:** I would say that chicken guinea, dengue comes every year because we have been studying these patterns for almost 10 years now. The differentiation was the feverish conditions and people more may be curious about fever because of the Covid in the first half so that led to the upsurge in the antibiotic category of products but we are very confident that every year maybe chicken guinea, dengue come every year, maybe the span might be slightly different and our products directly are not into the category or may be the treatment but as you rightly said Electral, Enerzal kind of products do get co-prescribed but the beauty of our products is Electral, Enerzal is not dependent only on these two indications, there are multifold indications where we can target, so we are very confident that these two products will not take a hit because there are almost 10-12 indications where we work on of our doctor prescription so one or the other definitely is going to continue in the next year also. Antibiotics, definitely as I said it was upsurge because of all the factors including starting from Covid and then it was slightly more of a pediatric infection setting in and chicken guinea, dengue everything put together, and we see that as a challenge for our brand, Zifi, and that is why I mentioned in all my statements earlier that we are working our way through the other antibiotic category of products also to maintain our market share in the antibacterial category of products overall. So again, these are speculations or rather the planning what we do based upon the trends of the last five years but as I said in one of my answers earlier nothing can be predicted these days because after COVID-19, the industry has been behaving in a very different way and we can only do our best based upon the knowledge of our therapeutics what we have and the market what we understand.

**Moderator:** Thank you. I now invite Ajis Lakhani from Unify Capital.

**Prithviraj:** Hi Sir, this is Prithviraj from Unify. I just have a couple of questions. Question number one, we are sitting on a cash of 1000 crores. So I just



wanted to understand what is the capital allocation policy of the Company. Are we looking to do any buy-back or increase in the dividend payout ratio?

**Sanjay Jain:**

I would like to take that question. You are right. We are sitting close to 1000 crore of treasury on our books and you must have also noticed that in the past we have been giving consistent payout to all our shareholders, either in the form of buy back or in the form of dividend. So in the last three financial years, we have given a buyback to the tune of 120 crore each financial year and prior to that we have also given a good dividend to all our shareholders. Secondly, the capital allocation as you must have heard in the previous conversation we have certain CAPEX in our plan, so after the CAPEX plan, some amount we would like to retain for emergency in the business. Thank you.

**Prithviraj:**

Just a suggestion from our side. I guess we understand the CAPEX requirements, so anything at a time CAPEX requirements if possible try to increase the payout ratio or do a buyback so that it will reward the shareholders.

**Sanjay Jain:**

Last few buybacks, the amount of payout ratio was close to 40% to 50% in each financial year, which is significant in terms of percentage allocation from our PAT.

**Prithviraj:**

Sir, I am going to my second question. If I see your EBITDA margin you were making 24% to 25% pre Covid and during Covid your margins went up. So what can be the sustainable margin going forward and what is the range that you are looking at?

**Sanjay Jain:**

So, if you have gone through our Slide 17, we have mentioned almost eight quarters EBITDA margin. The EBITDA margin is maintained somewhere around close to 25% to 26% and we believe that we will be able to maintain in this range only.



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**Prithviraj:** And Sir, finally one question. If I see your six years numbers, revenue increased by 50% whereas employee expenses went up by 120%. So employee expenses as a percent of revenue which used to be 15% to 16% in FY15 moved to almost 25%. Sir, you know, we are trying to understand what explains this significant increase in employee expenses?

**Sanjay Jain:** So, the reason for increase in employee cost in the last three to four years back we have expanded our fields and increased a fixed and close to 1,000 odd numbers and because of that the overall quantum of the employee cost has gone up and that has also added further on account of the other regulatory or the government related payout in forms of wages and some other kind of retirement benefits to that also it has increased the overall employee cost as a percentage to revenue, but in the recent past in last two or three years, employee cost as a percentage to the revenue is more or less stable at 21% or 22%. So, that just gone up between somewhere in from 15%, 16% to 18%, 19% from 16% odd to 20% after that it is more or less stable.

**Prithviraj:** And finally, one book-keeping question, is there any one off in operating expenses in this quarter numbers because the 100 crores seems to be on a higher side?

**Sanjay Jain:** So, if you are comparing the 100 odd crore with respect to the last financial year, so as I explained in our earlier presentation, the last year the majority of the expenses were not there like sales promotional expenses, a field travel expenses which are there in the current financial year. So, when you compare on quarter-on-quarter basis the numbers looks on the higher side.

**Moderator:** Thank you. I now invite Padmaselvan L from Eternity Capital. Please go ahead.



**Padmaselvan L:** For some reason my video is not enabled I am not sure what exactly is the reason it says I am not allowed to enable the video option I am not sure why if that is okay to save time shall I continue with the question.

**Management:** Yes.

**Padmaselvan:** I am very new to this Company and I have a couple of questions, couple of high level questions now this is related to the past capital allocation, related to the question asked by the previous participant now when I look at last 10 year period, 40% to 45% of your cash flows has been reinvested in the business to quantify it roughly 750 crores has been reinvested and another 45% has been distributed in the shareholders through buybacks and dividends which is commendable, now can you please break up this CAPEX between domestic CAPEX and export CAPEX?

**Sanjay Jain:** So, we have understood your question, but it is very difficult to allocate the capital allocation for the domestic CAPEX and then international CAPEX because both are called as a combined shared facility.

**Nandan Chandavarkar:** Shared facility is primarily domestic and the rest of the capacity is utilized for exports.

**Mohan Chandavarkar:** Our quality system is robust and we follow one quality system and that is the Uniform CAPEX.

**Ameya Chandavarkar:** We do not have a dedicated facility for international, is that your question.

**Padmaselvan:** Now as far as future allocation is concerned is it fair to assume that the past trends will remain the same meaning roughly 40% to 45% will be reinvested and 45% will be given back to the shareholders?

**Sanjay Jain:** So, we will try our best considering the various challenges, the opportunity that we foresee going forward we will try to maximize the payout to the shareholder as far as possible.



**Padmaselvan:** Now moving on to my second question, now would the promoters consider monetizing their holding in the Company either partially or fully in future and if yes what are the criteria that you would consider with respect to the potential buyer the valuations that you see or the minimum and the maximum stake there you would sell?

**Nandan Chandavarkar:** Simple answer is, we have never considered it.

**Moderator:** I now invite Abdul Qadir Puranwala from Elara Capital. Please go ahead.

**Abdul Qadir Puranwala:** So couple of questions on the India business and on the export side as well, so if I go through the presentation on the Enerzal side there is a constant decline on the market share I see your nearest competitor is also facing market share issues, so could you please highlight what is actually happening in this space and why the top two players are losing market share?

**Mayank Tikha:** So I take your question. Yes there is a decline in our market share as far as Enerzal is concerned, but this market is not very well defined in terms of RX/OTC/OTX and if I compare with the Enerzal WHO category of products, but energy drink is a very wide horizon of products which has not only the prescription-based Company and also the FMCG based companies are playing in that field and you know the boundaries are getting broken today. Earlier it was FMCG was playing only in the modern trade and the general trade and it somewhat got limited for a prescription modern trade companies, but what happened is now there is a thin line between how Companies are overlapped in these markets. So that is why we see a slight dip, but I did mention over that we have understood this that there is a slight market share loss to the tune of approximately 2% and for that we are now looking at increasing our portfolio in the Enerzal market. We are entering into newer variants and also bringing number of SKUs. So you might have observed that earlier we were only to powder and liquid and Tetra Pack but in the last one year we had entered with the



PET bottle. So we are bringing multiple variants, we have recently introduced Enerzal Zero and we are tracking that and it is for the calorie conscious people. So, these are some of the highlights by which we are trying to work around and try and maintain our leadership position with the market share also being intact. We are confident that we will be able to do that.

**Abdul Qadir Puranwala:** Sir if I look at your portfolio, I know barring Zifi, Electral, Enerzal, what would be the growth in the portfolio would it largely be skewed towards this top three brands or the growth is largely even out across the portfolio?

**Mayank Tikka:** So, if I can comment on the first half of this financial year, I can probably tell you that all our top 20 brands have grown significantly if I compare my growth rates of the historical past. So, yes there is a skew in terms of the top three brands when it comes to the percentage contribution coming for my domestic sales, rest of the brands are smaller in terms of overall revenue, but the growth rates are pretty buoyant and we are working on it if you recollect in my presentation, I did mention about Zifi CV where we have worked out and I have answered this earlier also that apart from the top 3, now we are focusing on the top 10 and that is why I showed you a top 10 and what we can assure that we will see a drastic change in the bottom 6 to 10 brands which we are trying to work upon and try to get more market share in those category of products. Apart from this, we are working around vitamin, mineral, category functional foods so these would definitely help us to continue in this momentum forward.

**Abdul Qadir Puranwala:** So on vitamins that was my next question on so typically I believe on this category is largely dominated by MNCs, so how are we going to position ourselves in this particular in this set of products and what is the competitive edge we would get as compared to and we see we have almost established brands in the segment as well as they were kind of spent on marketing were also considerably quite high?





**Mayank Tiksha:** I appreciate your question, but I would slightly differ over here MNC threat was there 10 years back. Now you will see any category of product or any related category for that matter. The Indian Company are doing relatively well take example of antibiotic some 15 or 20 years back again this was ruled by the multinational companies. Now, similarly the example of the transitions happening in another portfolio is also vitamin, minerals we do not see as a threat. Yes, some of the brands are very impacting from the multinational Company, but multivitamins nutrition is again wide category of product. So we are coming up with many innovations in that market and we will try to create our own space in the therapeutics category or maybe the specialty of doctors which we are operating. So, we are not targeting one molecule to answer your question. We will be looking at multifold brands or multiple SKU to target various categorical doctors whom we meet.

**Abdul Qadir Puranwala:** And sir just couple of more on the export side of business. I understand, as explained earlier in this presentation that there were few products because of the competition we had lost market share a bit, just wanted to understand how profitable this business would be I understand clearly from a FY20 level it would be largely quite low in terms of margins, but are we still at the Company level margin when it comes to the US business because that is where we again going to have some amount of investment in CAPEX so would it plan out in the margin side?

**Ameya Chandavarkar:** So, the US business is probably the most profitable business for us. So, I am not sure where you are getting the impression that the margins are low. See we are in the niche category of products the ophthal category is niche category and there are relatively fewer players in that space compared to the oral solid dosage forms. So, it is a significantly profitable business and as you know the US market itself overall is more lucrative than any other market in the world and specifically speaking the ophthal business is a



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lucrative business. So, yes there has been some price erosion margins have gone down, but it remains a fairly profitable business for us.

**Moderator:** Thank you very much. Ladies and gentlemen that was our last question for today. I would now request Ms. Varsharani Katre for closing remarks. Over to you, madam.

**Varsharani Katre:** Thank you All. Thank you all the participants for joining this Virtual Meet of FDC and the speakers as well for expressing their views. FDC will strive to remain connected with all its stakeholders to such Analysts/Investors Meet. In case if you have any concerns, please reach out to us on [investors@fdcindia.com](mailto:investors@fdcindia.com). Thank you all again.

**Moderator:** Thank you very much members of management. Ladies and gentlemen on behalf of FDC Limited, that concludes today's session. Thank you for your participation, you may now exit the Meeting.