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LAURUS Labs
Knowledge . Innovation . Excellence

April 30, 2024

To	To
The Corporate Relations Department BSE Limited Phiroz Jeejeebhoy Towers, 25th Floor, Dalal Street Mumbai – 400001 **Code: 540222**	The Listing Department National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (East) Mumbai – 400 051 **Code: LAURUSLABS**

Dear Sirs,

Sub: Transcript of the Q4 FY24 Results conference call hosted on April 25, 2024

Pursuant to Regulation 30 & 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our Results conference call intimation dated April 18, 2024, please be informed that the Results conference call for Q4 FY24 was hosted on April 25, 2024 and the Transcript of the conference call is **enclosed** for information and record.

Thanking you,

Yours sincerely,
For Laurus Labs Limited

VENKATESWAR REDDY GOGIREDDY
Digitally signed by VENKATESWAR REDDY GOGIREDDY
Date: 2024.04.30 17:52:44 +05'30'

G. Venkateswar Reddy
Company Secretary &
Compliance Officer

Encl: As above

“Laurus Labs Limited Q4 FY24 Earnings Conference Call”

April 25, 2024

MANAGEMENT: **DR. SATYANARAYANA CHAVA – FOUNDER & CEO, LAURUS LABS LIMITED**
MR. V. V. RAVI KUMAR – EXECUTIVE DIRECTOR & CFO, LAURUS LABS LIMITED
MR. VIVEK KUMAR - INVESTOR RELATIONS, LAURUS LABS LIMITED

MODERATOR: **MR. MONISH SHAH – ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day and welcome to Laurus Labs Limited Q4 FY24 Earning Conference Call hosted by Antique Stock Broking.

As a reminder, all participant lines will be in listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Monish Shah from Antique Stock Broking Limited. Thank you and over to you, sir.

Monish Shah: Thank you, Ria. Good evening, everyone and welcome to Laurus Labs 4Q and Full Year 24 Results Conference Call.

On behalf of Antique Stock Broking, I thank Laurus Management for giving us the opportunity to host this call. Today, we have with us Dr. Satyanarayana Chava - Founder and CEO; Mr. V. V. Ravi Kumar - Executive Director and CFO and Vivek from the IR team. I would now like to hand the call over to Dr. Satya for his opening remarks. Thank you and over to you, sir.

Satyanarayana Chava: Thank you, Monish. Thank you for joining us for our Q4 and Full Year FY24 Results Conference Call.

We are pleased to have this opportunity to update you on our progress and answer your questions.

Our R&D-led commercial strategy made good progress and I am pleased with the resilience performance backed by our robust integrated model. In 2024, we advanced on several pipeline projects across our offerings and augmented our broad technology and manufacturing platforms.

The Company's BD (Business Development) efforts also resulted in a multiyear CDMO contract with a leading Crop Science Company and over a decade of fruitful long-term collaboration with KRKA fructified into formation of a joint venture. Further, we deepened our cooperation with major CDMO clients on green and sustainable technology platforms, especially high-pressure hydrogenations, continuous flow chemistry and biocatalysis. We are also currently engaged in delivering multiple projects involving multistep complex chemistry, large scale biocatalysis with in-house enzymes manufacturing. Over the past 3 years, we have made significant investments in our development and manufacturing capabilities to seed in the next wave of impactful growth for Laurus Labs.

Our ongoing innovative CGT investments continue to report significant updates for the period under review, especially the successful NexCAR19 commercial launch in India to treat certain cancers. Further, a second large GMP integrated CAR-T facility is under construction to service more patients and making treatment more affordable. With our collaboration on gene therapy

with IIT Kanpur, the Company started GLP, GMP plant construction for the manufacture of viral vectors and gene therapy products. We target to operate phase one by the end of Q3 FY25.

Moving to our financial results:

Our Q4 core results reflect continued resilience in financial health across our business divisions despite no COVID treatment related supplies and significant pricing pressure on the generic APIs. We delivered underlying growth of 9% in revenues to Rs. 5,041 crores, driven by strong performance in formulations, CDMO, Onco APIs and Bio division. And also, this was achieved because of stabilizing ARV sales. Gross margins were maintained at 52% for the whole year despite quarter-to-quarter variation. EBITDA margins negatively impacted, and we reported 16% EBITDA margins due to higher OPEX on growth projects and higher R&D spend. Our Q4 results improved sequentially led by positive contributions from all businesses backed by a volume increase and healthy order book.

To begin, I would like to share key updates on our various business segments:

In Formulations:

This division reported overall revenues of Rs. 430 crores for Q4, increasing by 9% over last year. On a sequential basis, revenues further improved to 17%. This is primarily driven by a consistent recovery in ARV business along with growth in developed markets. During the quarter, we signed a joint venture with KRKA with a focus to enhance combined generic portfolio and market presence. I feel it is a great opportunity to utilize our integrated manufacturing capabilities and extensive pipeline from KRKA in innovative and complex generics which offers attractive growth prospects in the long run.

Coming to ARV business:

Overall market volumes have largely remained stable, largely supported by stable pricing trends over the last 2-3 quarters and NACO supplies. We believe the impact in ARV franchise are broadly stabilized and expected to stay in this range. While we continue to pursue optimization programs to counter any pricing impact, our extensive knowhow, portfolio breadth including complex formulations and new market potentially solidify our leadership position in ARVs to withstand any further market challenges.

Coming to the developed market:

We continue to perform well across our broader portfolio despite higher competitive intensity. During FY24, we filed 8 dossiers and a total of 9 approvals were received, including few tentative approvals.

In the US, we continue to get good market share on select products and also increasing volumes. Recent US approved flowthrough has been very good, and we launched 2 products in US during the Q4 and 2 more products launches is under preparation. These launches will support better asset utilization. Cumulatively, we have a total of 40 ANDAs filed so far. Of these, we have 18 final approvals and 14 tentative approvals. We continue to have diverse portfolios and pipelines across ARVs, Cardiovascular, Diabetes, CNS, and GI.

On R&D front:

Overall R&D spending to sales for FY24 was at 4.8%. Higher R&D spend is in line to enhance our pipeline, which includes spend towards additional initiatives in Cell and Gene Therapy. Commercialization of our first modified release product was done during the last quarter of FY24. We continue to invest in portfolios with product specific approach based on complexity and scale economies.

In the generic APIs, revenue for the Q4 was very strong at Rs. 745 crores supported from growth across franchises. For FY24, the overall growth was down by 2% for the entire year, mainly impacted from other APIs offsetting positive growth in Onco APIs. ARV APIs have retained its volume led steady momentum and reported a revenue of Rs. 408 crores for the quarter. For FY24, the division has continued to internally support FDF requirements. Accordingly, the business reported flattish performance for the full year. The current order book for our API basket looks encouraging. We continue to maintain a leading market share in the first-line HIV treatment.

Onco API business reported the highest ever quarterly sales of Rs. 147 crores. The year reported strong growth of over 27%. During the year, we have completed validation of few oncology products at our Vizag site with increased batch sizes and increased capacity multifold for few products. We believe our portfolio breadth, new capacities along with ongoing positive market dynamics would continue to support additional volumes in this division.

Other API segments which include Cardiovascular, Diabetes and Asthma have recovered sequentially led by CMO contract delivery and reported a sale of Rs. 190 crores. FY24 revenues for other APIs have declined by 22% due to challenging price environment, mostly offsetting volume growth. While pricing headwind may continue even in FY25, we are committed to long-term growth with clear focus on cost leadership in selecting high value APIs. We are accelerating, focusing on increased efficiency, sourcing, and cost improvements to mitigate inflation and price pressures. We filed 4 DMFs, 3 in non-ARV, 1 in ARV. With this, we filed a total of 83 DMFs.

In our CDMO business:

We did achieve Rs. 922 crores sales. We saw substantially more RFPs in FY24 versus FY23 from several big pharma and leading biotech’s. Increased RFPs for the late-stage projects will

certainly provide a very good opportunity for the Company. Besides, we are also increasing our BD (Business Development) efforts towards securing early-stage projects to widen the project pipeline, laying the foundation for long-term growth. We are working on over 70 active projects, ongoing commercial supplies for about 10 products, including APIs, as well as several intermediates.

Key CDMO growth projects across our R&D and commercial manufacturing facility is on track. Our Crop Science unit is under construction and Animal Health unit has started commercial validation supplies and scaling up well. These capacities are almost fully contracted with a big pharma partner. The new Animal Health site will have capabilities to handle steroids, hormones and high protein molecules apart from other large volume products. Our focus continues to be leveraging significant scientific overlaps and built a diversified revenue streams from customers.

In the Bio division, the full year reported stronger than expected growth of Rs. 164 crores sales, 28% over the previous year. This was despite transitionary very low Q4 sales because of order cyclicality. The strong growth was led by diversifying applications for our CDMO services and rapid expansion in our customer base. We continue to grow our enzyme engineering and production for small molecule, clinical and commercial API projects which will augment our pipeline using green chemistry for sustainable manufacturing.

During the year, we operationalized downstream capacity and R2 capacity increased by 20%. The unit is likely to achieve peak revenues during FY25. We also made plans to create larger fermentation manufacturing capacity both in Vizag and Mysore, respectively. Earlier, we mentioned only Mysore, but we also initiated construction of Bio at Vizag because of opportunities we saw in GMP pharmaceutical manufacturing. The facility will be ready by the end of FY26.

Let me share brief on our quality and ESG initiatives. In 2024, the Company underwent more than 130 quality audits by multiple regulatory agencies and several customers. The Company has successfully passed audit inspections without critical findings. We remain committed in advancing quality systems, meeting stringent requirements from clients as well as global regulatory standards. We are also making good progress on our ESG, EHS agenda for long-term success.

Now, let me turn to a broad FY25 outlook:

We are entering the year with solid foundation and remain committed to unlock sustainable and profitable growth by focusing on technology breadth and commercial excellence of the Company. We are prioritizing efforts to improve our operating margin, particularly increasing asset utilization across our network and delivering on a few of our late phase commercial NCE opportunities. We also expect pricing headwinds in the parts of the API portfolio, but which we believe will offset from volume increases and continued cost improvement measures. At the

same time, we have been investing in Laurus' future and continue to create long-term value for all stakeholders.

With that, I would like to hand it over to Ravi to share "Financial Highlights."

Ravi Kumar: Thank you, Dr. Satya, and a very warm welcome to everyone on our Quarter 4 and FY24 Earning Call.

Excluding large CDMO PO, we reported 9% growth in FY24. Total income from operation is at Rs. 5,041 crore against Rs. 6,041 crores and overall, actually we declined 17%. During the quarter, we reported Rs. 1,440 crores sales against Rs. 1,381 crores increased 4% year-on-year and 21% quarter-on-quarter. The growth was supported from all divisions.

Gross margin for the full year is around 52%. The main reason for the gross margin decline from Q3 to Q4 is the product mix. Our EBITDA for FY24 was 16% and for the quarter, it was 18%. Our diluted EPS for FY24 is Rs. 2.9 reporting a decline and our ROCE is at 6.4% versus 21.3% due to lower operating results and strong capital deployment towards growth projects.

On the CAPEX front, we invested close to Rs. 700 crore for the year and continued to invest in CDMO and bio division. Our net debt stood at Rs. 2,368 crore as we indicated, around Rs. 2,500 crore and debt to EBITDA is around 3x. It will reduce in the coming year based on better performance and capping the debt at the similar levels. Going ahead, we are focusing on gradually returning to growth and prioritizing investment in high value segment along with improvement in the working capital efficiencies. You can refer IR presentation for more details.

We also would like to take this opportunity to convey that we have proposed a certain board level reorganization. So, Dr. MVG Rao, who is an Independent Director and Non-Executive Chairman of the board shall end his second term on 17th May, you are all aware, actually in any board member, Independent Director can be there for only for two terms. Based on the age actually he is retiring and accordingly the Board of Directors is proposing to reorganize to take care of the future requirements.

Now, another thing is the Company is growing and expanding into newer business areas such as CDMO business including Animal Health, Crop Sciences, Biotechnology, Cell, and Gene Therapy apart from the generics and the KRKA JV under the generics. Therefore, there is a need to groom the next generation to take up the increased responsibility as a part of the succession planning. With that, we are appointing Dr. Ravindranath as a Non-Executive Chairman of the Board of Directors with effect from 18th May 2024, but of course, Dr. Ravindranath is a Board Member and Independent Director since 2017. Appointment of Mr. Krishnan Chaitanya Chava as the Additional Director and Executive Director, appointment of Ms. Soumya Chava as Additional Director and Executive Director, Krishna and Soumya are son and daughter of Dr. Satya and appointment of Mr. Karnam Sekaras Additional Director. He is a retired banker and he worked in SBI as a DMD and a couple of other public sector banks as a Managing Director.

So, with this, we request the moderator to open the lines for the question and answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sajal Kapoor, an Individual Investor. Please go ahead.

Sajal Kapoor: Dr. Satya, do you believe that the whole can be greater than the sum of the parts in the context of the often CDMO services in biocatalysis, enzymes, cell and gene therapy and of course various chemistries across animal health, crop and human LifeSciences?

Satyanarayana Chava: The sum of the parts is greater than the whole definitely. For some projects we started biocatalysis using third party supplied enzymes whereas our big pharma partner decided to use our expertise in R&D and manufacturing of enzymes and provided the plasmids and we made the enzymes and currently using that for the batches being executed. This integrated approach is definitely going to offer significant advantage when compared to non-integrated players who are not capable in making enzymes themselves.

Sajal Kapoor: So, has there been any difference in the level of engagement with the innovators today versus let us say, 5 years back when we were only in the human pharma chemistries. Has the level of engagement shifted?

Satyanarayana Chava: Absolutely, the depth and breadth of engagement has gone up. They can talk to one vendor who can offer all these. That is one and second, for them, there is no need to go to another CMO for a large-scale manufacturing. We can offer enzyme screening, we can offer, in fact most of the projects we are handling are very complex in nature, and it has at least one or more continuous flow chemistry techniques and also at least one or more biocatalysis in a 10-12 step complex chemistry. So, these are becoming an integral part because the big pharma's commitments towards ESG also pushing them to adopt new technologies, cleaner and greener technologies, pushing them to go to continuous flow as well as the biocatalytic approaches. So, we are becoming a very interesting partner to offer all these.

Sajal Kapoor: Secondly, In the context of the Biosecure Act, what I am trying to understand is if I look at the large three-four players in China, they have got significant exposure to US on the CDMO services and now because of this Biosecure Act Some of the Innovators desire to move away from overly dependent China. We have the capacity and the capability right, so are we efficient to take advantage of this shift and it is already happening in various discussion levels, can something materially change for India as a whole over the next 2-3 years, thats the expectation that we have and how do you see from your point of view?

Satyanarayana Chava: This is very broad question, Sajal. This shift in big pharma to diversify their vendor base has sorted, I think all Indian CDMO companies are at the beginning of that shift, so few companies will definitely be benefited from this, but it will take its own time. If the partner is an existing customer, then onboarding is easier. If they have to onboard a new vendor, it will take its own

time, but the benefit of their diversification has started showing results. It is also very clear we got more RFPs in the last 12 months for late phase projects when compared to previous years. That is an indication that there is a diversification effort from big pharma, and it is clearly visible.

Sajal Kapoor: And finally, the debt side, we have got 3x net debt to EBITDA today, is it fair to assume that the debt has peaked and when EBITDA start mean reverting, we should be below 2x net debt-to-EBITDA or that is the kind of aspiration that we have.

Ravi Kumar: Yes, Sajal, once the EBITDA improves, that is our aim. And if you look at even historically also at this kind of a range actually in the last 15 years, we have only for few years, and we are expecting to come down in the coming year.

Moderator: Thank you. Next question is from the line of Jeevan Patwa from Sahastrara Capital. Please go ahead.

Jeevan Patwa: Sir, two questions, one is the on the FDF side. So, we have launched one product in the US and there are two more products we are going to launch in US. I remember some 2 years back we used to say that we want to be global leader in 15 products, right, so are these three products are in that list of 15 products and we want to be the global leader?

Satyanarayana Chava: Jeevan, that is right. So, these are the products which are genericized with significant volume and also still growing. The new approvals came as part of our long-term strategy for global markets, not just for US. Couple of these products we are also planned to launch in Canada.

Jeevan Patwa: Because all three products are pretty big products, but when you say that we want to be global leader, are you actually expecting to have like 20% plus kind of market share in this product?

Satyanarayana Chava: We don't want to get into market share by disrupting market by only price. So, if you look at our products where we have increased our market share it was done over a period of 12 to 18 months after approval. We don't want to get on day-one to secure the market share. That means we are cutting our own legs. So, we wait for the right opportunity to get market share.

Jeevan Patwa: And secondly, on the formulation last quarter which ended, we have actually got a client where we will be doing tertiary packaging on the formulation, is that contract started or it hasn't yet started, or when it is going to start?

Satyanarayana Chava: Expecting more in the packaging lines right now to cater to that contract and it is not a one-time contract. It is a multiproduct multiyear contract. So, we are investing in the packaging lines in the new formulation capacity building.

Jeevan Patwa: So, when can we expect it to start, sir?

Satyanarayana Chava: We started supplying finished packs from the existing packaging lines and we are buying two more packaging lines which will be qualified by September this year.

Jeevan Patwa: So, post that contract will start fully?

Satyanarayana Chava: Yes.

Jeevan Patwa: And on the CDMO side, so last few years, we have been adding multiple capabilities on the CDMO side, but we haven't yet heard about any new contracts that we have signed, so after that agrochemical contract, I think we haven't yet announced anything on that. Is there anything in the pipeline in the very advanced stage where we expect to have some long-term contract?

Satyanarayana Chava: Currently, we don't have any agreements in negotiations for long-term talks, but several projects are moving into later clinical phases, for example, currently we are validating two APIs, which will go into NDA soon. So, the scale at which we are operating moved to offering APIs, not just intermediates, that's a significant step. If you look at, one previous investor was asking question on the diversification, see most of these big pharma source APIs from elsewhere, so when they want to have new vendor, they want to have a vendor who can offer APIs, not just starting materials or intermediates, so that is the advantage we are having right now. But you know these batches, Filings, Approvals is a long-term process, but the prospects looks very interesting.

Jeevan Patwa: And sir, on the Bio side, so if I heard right, you said that we are starting work on Vizag and Mysore both the sites, earlier we were working only on one side, Mysore side?

Satyanarayana Chava: You are absolutely right. As Ravi mentioned in his commentary, we have opportunities to produce pharmaceutical grade intermediates and products.

Jeevan Patwa: Is it fermentation API that we are talking?

Satyanarayana Chava: Intermediates and APIs, both. So, why we changed, We augmented our strategy to non-pharma products at Laurus Bio and pharmaceutical related fermentation products in Laurus. That is the change in strategy what we had in the recent past.

Jeevan Patwa: So, Mysore will be mostly the food protein side and Vizag will be mostly toward pharma side?

Satyanarayana Chava: Yes, Jeevan, correct.

Jeevan Patwa: And in that I have just read one project report which was submitted to the government on the food protein side, Laurus project report which mentions about 10 different food proteins with total capacity of 1350 ton, so is it like the long-term plan of the Company of getting into 10 different food proteins of 1350 tons of capacity?

Satyanarayana Chava: Those are the pipeline products. So, those are all contract manufacturing. The Laurus Bio except the cell culture ingredients, none of these food proteins are marketed to customers, it is B2B.

Jeevan Patwa: Because each of this protein is like very high value proteins, 50 tons is a pretty large capacity?

Satyanarayana Chava: When it is a food, 50 tons is not big. It is small.

Moderator: Thank you. Next question is from the line of Krish Mehta from Enam Holdings. Please go ahead.

Krish Mehta: I wanted to get the mix for ARV versus non-ARV for Q4 and ARV FDF versus non-ARV FDF?

Satyanarayana Chava: In the APIs in the Q4 out of Rs. 745 crores, Rs. 408 crores came from ARVs and Rs. 337 crores came from non-ARVs. So, you are also seeing that gradual increase in the share of non-ARV APIs and also gradual share increase in the ARV formulations as well.

Krish Mehta: And what would be the number for the end? I was asking what would be the entire number for the total ARV share for Q4 including FDF and ARV?

Ravi Kumar: Rs. 709 crores.

Satyanarayana Chava: About 50% of our sale came from ARV in the Q4, both APIs and formulations put together.

Moderator: Thank you. Next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Sir, my question is on, you made a few references to late-stage contracts on CDMO, so are you referring to molecules, which are already commercial, and you would be coming up as second or third source for the innovator that is the kind of contract you are talking about over here?

Satyanarayana Chava: What I mentioned, two products under validation, those are yet to be launched, they are filing NDAs soon.

Nitin Agarwal: But besides that, are you also pursuing opportunities where the molecules are already commercialized and where the innovator opts for the second supply source?

Satyanarayana Chava: For some intermediates, yes, but those are at the very early stages of progress, I put it that way.

Nitin Agarwal: Sir, if I would then probably just summarize some of the things that you just said, give us some timeline for when would the meaningful impact of the animal health business contract will start to be visible and when the crop protection contract becomes to start visible?

Satyanarayana Chava: We can't give you more specific details, but we expect these products and the RFPs what we're receiving will add lot of value for all the stakeholders.

Moderator: Thank you. Next question is from the line of Bino K from Elara Capital. Please go ahead.

Bino K: It is really just a couple of housekeeping questions. What sort of tax rate do you expect for next year and thereafter, we are now about the corporate tax rates, how do you see this planning out?

Ravi Kumar: I think we shifted to the new regime for the Laurus Labs. So, we expect to be around the 25% plus will be the tax rate, but for our subsidiaries we haven't migrated to the new regime. So, maybe we expect in the similar range what we have this year.

Bino K: And what is the CAPEX plan for next year?

Ravi Kumar: CAPEX, I think will be in the similar range of the current year.

Bino K: And where would that go to?

Ravi Kumar: That goes to the Bio and the CDMO.

Bino K: The consolidated receivables number debtor days are higher this year, why is it and is it going to be still like that?

Ravi Kumar: No, because of the quarter revenue is higher, the receivables also higher by end of the financial year, but it is based on the quarter revenue, the receivable number will change.

Bino K: And finally, could you just help me understand the thought process behind this investment in ImmunoAct, specifically what kind of financial analysis did you do, what kind of opportunity that product has and so what sort of order are you looking from it?

Ravi Kumar: I think few years back we decided this, still we have that strategy of investing up to 10% of our profits into disruptive technologies either in-house or external. When we are explaining the strategy, one of the big fund actually they have connected this ImmunoAct team. Then we had a lot of discussions around the world and with the few experts and few oncologists on this treatment and we found it very interesting and that is how we made our first investment of Rs. 40 crores. It is a high-risk investment made a few years back when it has not even completed a phase one clinical trial. So, once phase one clinical trial is completed and then phase before completing the phase two clinical trial, again we got an opportunity to invest further, but of course the valuation has been much higher than the first investment because they were about to complete phase 2. So, now they got phase two approval and then they already launched in the market. They already serviced including the clinical trial they have completed the 100 patients treatment. We are very happy that we could be able to contribute through our money, this treatment has come to India and then recently you must have noticed in IIT Mumbai, President of India has dedicated this product to the Indian people. So, there are very interesting things going on. They are setting up a large manufacturing facility in the Navi Mumbai, they got a land parcel, and they are building on their own. They are also tying up with some other countries and this is also encouraging, and they are also trying to get in another treatment. They have to conduct a trial. So, this looks interesting today, but we don't have any plans to further increase our stake and they don't require any more money.

Satyanarayana Chava: Bino, if you look at the kind of investments, what we are doing, for the investments what we made in ImmunoAct. So, far, we are only recognizing our share of losses in our balance sheet and also invested almost Rs. 120 crores. But the opportunity is very big and like that, we have also invested in R&D as well as in the manufacturing assets at IIT Kanpur. These initiatives are putting very interesting for the long term, but short term, these are very painful investments because we are investing in CAPEX, OPEX both. All these are going through the balance sheet, but one has to realize, your Company is putting money in the right places for long-term and sustainable growth.

Moderator: Thank you. Next question is from the line of Bharath from Bosch. Please go ahead.

Bharath: We have increased our API capacity by more than 50% recently, but if you see this other API segment, last year we have done around Rs. 800 Cr and this year we have done around 600Cr . So, it has declined by around 22%, how do you feel on this like capacity going up 50% and revenue declining by 22%?

Satyanarayana Chava: The capacity going up is the reactor volume and most of the reactor volume, what were increased is utilizing for the manufacture of clinical phase programs for big pharma. So, the capacity increase is not primarily meant for generic APIs, it is majority meant for clinical programs for phase two, phase three and validation batches.

Bharath: So, do you see any pricing pressure in other API because there is a decline of 25% in other API year-over-year?

Satyanarayana Chava: Actually, if you look at the quantum of revenue coming from other APIs is only a quarter of our revenues. That is not the big chunk of our APIs. 50% of the API sales come from ARVs and then contract manufacturing and Onco is another 25%-30% actually, maybe around 25% is contributed to other APIs. So, the growth in other APIs is not going to impact the entire API segment.

Bharath: And if you compare Q3 and Q4, there is no much significant product changes, in fact, if you see the Onco API contribution has increased from 7% to 10%, but there is a decline of 450 basis points in the gross margin, may I know the reason for this?

Satyanarayana Chava: That was primarily driven by the product mix in Q4. If you look at, there is little growth in our CDMO revenues from Q3 to Q4, but there is significant growth in our ARVs, both APIs and formulation Q4. So, this is the primary reason for that.

Ravi Kumar: I think if you look at quarter 3, Bio and Synthesis together 22%, from there now in Quarter 4 it is 18%. So, both Synthesis and Bio are the high gross margin areas, 4% decline in share. Second, finished goods and in process inventory has also come down. So, part of the overheads will be added to the inventory valuation. So, that is also another reason. These are the two reasons, but

in the coming years, we are not saying that this will be at the same level, but it can improve once the CDMO revenue share is being increased in overall.

Bharath: R3 plant in Mysore is 2-million-liter capacity, right? And the new plant which we are going to build in Vizag is also 2-million-liter capacity, right?

Satyanarayana Chava: Actually, the fermentation plant we are planning at Vizag will be currently is 500,000 liters only.

Bharath: So, this is on top of R3 in Mysore, right?

Satyanarayana Chava: Yes.

Bharath: And my last question is that I understand that management is very bullish in CDMO segment, but if you see the trend of our CDMO revenue for last 3 years in FY22, we have done around Rs. 900 crores and FY24 we have done again Rs. 900 crores, so in the last 3 years it is almost flat with no growth, how do you see it? It is like can you expect good growth in coming years?

Satyanarayana Chava: If you look at the investments, what we made in the Animal Health plant, we will see segment revenues in FY25. Our Crop Science plant you see investments may be next year, not even this year and many projects are moving from phase one, phase two to phase three and commercial. So, I would say this is a transitionary period for the investments what you have done to see significant contributions coming from those initiatives.

Moderator: Thank you. Next question is from the line of Rahul, an Individual Investor. Please go ahead.

Rahul: Dr. Satya, in terms of specific priorities, beyond the next couple of quarters, can you share your vision for the Company's long-term growth trajectory, so that will be my first question?

Satyanarayana Chava: If you look at the transformation and transition the Company underwent in the last 6-7 years, from a pure play API to integrated formulations, then we started investing in Bio, then we started investing into Animal Health, started investing into Crop Science Chemicals and also Cell and Gene Therapy assets being created. So, all these will put the Company into a very integrated CDMO player offering broad segments and each of these segments has their own gestation, for example, selling enzymes is easier, crop science is easier, animal health may have to go through a lot of regulatory pathway, and the human health has to go through even more stringent and long regulatory pathway. But all these we have invested very early into this vendor diversification by the major pharmaceutical companies. So, we believe we have created technology platforms and also have created capacity to capture that opportunity and we are saying this for the last three quarters, but numbers haven't improved significantly as one of the investors asked FY20 to FY24 revenues were same, it is true, but the clinical development timeline is 7-8 years, if it is very short, it is 5-6 years and we have projects in different phases of their life cycle and when we are investing in these initiatives, either we have partner who is willing to work with us or we have a contract with the partner who is already working with us

or we have conviction that people will come to us, use our capabilities. I think all these will definitely demonstrate and then you ask the question and leave one or two quarters, but at some point if then these numbers will come and all of us who have confidence in the Company will definitely benefit from this.

Rahul: As a follow up question, since CDMO is a growth part of the business, 5 years out from now, around what percentage do you think CDMO space will be contributing to the overall revenue mix for Laurus

Satyanarayana Chava: CDMO business used to contribute 20% of revenues in FY20-FY21. FY23 was a big jump because of the COVID-related supplies, but again FY24 is similar to 20% if you add CDMO and the BIO. We expect in the next couple of years this should grow to again one-third. That is our belief.

Rahul: And any Indian pharma peers that you think are doing great work in the CDMO space that we can pick up best practices from or you look up to?

Satyanarayana Chava: I think I don't want to comment on your question.

Moderator: Thank you. Next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: So, firstly, on this $40 million fermentation CAPEX, so is this considering the contract already in hand or you are building the facility and then subsequently we will look for the contract?

Satyanarayana Chava: It is mix of both. We also have certain intermediates plants, and some partners want to use our expertise in fermentation. So, it is a combination of internal as well as we make products for our partners.

Tushar Manudhane: And sir, out of this total Rs. 700 crore CAPEX which we have envisaged for FY25, how much would be funded from internal accruals, or will there be further increase in debt?

Ravi Kumar: I think Tushar, we are not trying to increase too much debt. Depreciation itself is almost like Rs. 350-Rs. 380 crores. So, I think we will try to manage without increasing substantial debt, Tushar.

Tushar Manudhane: And the CAPEX which we have invested to debt, let us say is a Rs. 2,600 crore, or in particular for the CDMO projects, so effectively the pickup in timeline because as we have indicated in the presentation as well that there has been some delay in the pickup of the Animal Health Facility, which has been actually operational from November 23. So, effectively, when do we see the meaningful scale up from the investments which you have done on the CDMO facility, is it like second-half of FY25 or is it getting pushed to FY26?

Satyanarayana Chava: I mean, in this year FY25, we will deliver launch quantities for the Animal Health NCE program from that site. And we will be completing validations for around 4 products in this financial

year, commercial validations. So, we started, or we are going to start commercial supplies from the Animal Health facility this year whereas Crop Science Facility will be ready by end of this year, but commercial supplies will come only next year. In the CGT space, we are building vector capacity and then gene therapy products capacity at Kanpur. Maybe we will have revenues only in the next financial year. I hope I answered your question.

Tushar Manudhane: And similarly, also if you could throw light on the API side industry, because at least in FY23 also at the industry level API has witnessed significant erosion in price hikes, while at least FY23 companies were able to offset that with higher volume throughput, but broadly these APIs are like legacy or old APIs, so the demand would be in the range of say 5% to 7%. So, will we be able to offset further price erosion in FY25 also or will we see the pricing again impacting the profitability for FY25?

Satyanarayana Chava: Don't expect the pricing will be impacted further. And we will give you more details in the coming quarter's conference calls. We are identifying some areas where we could really add value by making fully integrated products. We will give you more light in the coming quarters, what are the areas we are focusing in the API space.

Moderator: Thank you. Next question is from the line of Madhav from Fidelity. Please go ahead.

Madhav: I just had one question on the IIT Kanpur link project which you spoke about, there you said some revenue to start in FY26, could you give some more detail in terms of how much CAPEX are we doing here? And I mean typically who are the clients for these kind of projects? How many products do we have? It is like a slightly new thing. I don't think you mentioned about revenue starting from this part of the business earlier.

Satyanarayana Chava: We expect some revenues will come next year for vector manufacturing. CAPEX and OPEX in the next 3 years could be potentially closer to Rs. 300 crores, next 3 years,

Madhav: So, Rs. 300 crores is the CAPEX for the next 3 years ?

Satyanarayana Chava: CAPEX and OPEX, I am not saying only CAPEX, it is both.

Madhav: When you say OPEX, it is like R&D spends that is what the area of funding?

Satyanarayana Chava: R&D spend will be in the range of 5% only.

Madhav: For the Company as a whole?

Satyanarayana Chava: Overall Company.

Ravi Kumar: I think CGT is what Dr. Satya said, you need to keep in mind that it is assuming that it needs to pass through a clinical trial. The majority of the cost will be for the clinical trial. So, otherwise if it is not successful then clinical trial costs will not be incurred.

Madhav: You are saying Rs. 300 crore CAPEX and OPEX is seeing happen is linked to a clinical trial. It will come in if the project moves ahead successfully in the next few sort of steps.

Satyanarayana Chava: Yes.

Moderator: Thank you. Next question is from the line of. Aniket Singh from Kotak Institutional Equities. Please go ahead.

Alankar: This is Alankar here from Kotak. Sir, just one clarification on gross margin, sir you made that point on lower contribution from Synthesis and Bio, but just trying to understand whether higher CMO contribution in the API segment has also led to lower gross margins in this quarter?

Satyanarayana Chava: The CMO segment in APIs is better than the general APIs, but less than the CDMO. So, you are right. That is also a part contributor.

Alankar: Sir, then essentially from an overall EBITDA margin standpoint, would it be fair to say that our EBITDA margins can improve meaningfully and go beyond 20% once again only once this synthesis and bio contribution increases fairly significantly? Of course, I mean we need to adjust for slightly higher CMO contribution in this quarter, but more from a directional standpoint to go beyond 20%, we need a CDMO synthesis plus bio to increase meaningfully?

Satyanarayana Chava: Yes.

Alankar: And maybe one final question, sir, regarding your discussions with CDMO clients, are these more with existing clients or has the engagement with potential new clients increased significantly over the past year or so?

Satyanarayana Chava: We have added two new clients and increased our product basket with the existing clients.

Alankar: And when you say added two clients, does it mean on the engagement side there could potentially be more clients, so with more new clients, we are discussing the CDMO contracts?

Satyanarayana Chava: At the very early stage, nothing meaningful will come in the 12 months from the new clients. By the time we sign Contract, six months will be over.

Moderator: Thank you. Next question is from the line of Foram Parekh from Sharekhan. Please go ahead.

Foram Parekh: Sir, I think you said that in CDMO sales, sales from crop protection and CGT sales would not be a part of sales for the next 1-2 years. Even animal health sales would be after FY27, so with the same amount of CDMO sales, can we assume that EBITDA margin for the next 1-2 years would be in the same range or there is a potential to increase the EBITDA margin. So, how should we look at it?

Satyanarayana Chava: What I mentioned Crop Sciences and CGT, no revenues will come from FY25 while the Animal Health revenues will come in FY25 itself, but the peak revenues in Animal Health will be in FY27.

Foram Parekh: So, with this, do we at least see 300 plus increase in EBITDA margin and?

Satyanarayana Chava: I think we don't want to give specific number; we hope the EBITDA margins will improve because see we are not taking any new initiatives. People are there at all these new factories. So, any sales coming from extra sales coming from should add into the EBITDA margins.

Foram Parekh: And sir, my second question is on the ROCE, we are at the bottom of the ROCE levels right now. So, from here on, what is our plan? Do we have any target ROCE in mind for the next couple of years?

Ravi Kumar: We can't tell for the ROCE for the couple of years, but broadly we always used to aim for 20% to 25%. But I think because we made a lot of investments once we started yielding out of this investment, we can be better ROCE.

Moderator: Thank you. Ladies and gentlemen, that was the last question of the day. I now hand the conference over to Dr. Satya for closing comments.

Satyanarayana Chava: Thank you for participating in our Q4 FY24 and FY24 results call and we appreciate outside in view of the organization and asking very relevant questions. Thank you everyone. Have a good evening.

Moderator: Thank you. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us and you may now disconnect your lines.