

November 23, 2022

National Stock Exchange of India Limited,
Listing Department
Exchange Plaza, 5th Floor,
Bandra (E), Mumbai-400051

BSE Limited
Listing Department Corporate Relationship Department
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort, Mumbai-400001

Symbol: **ORCHIDPHARMA**

Scrip Code: **524372**

Subject: Transcript of Investor/Earning Call – Orchid Pharma Limited (“the Company”)

Dear Sir/Madam,

In continuation of our earlier announcements dated November 15, 2022 and November 18, 2022, please find enclosed Transcript of Investors Call/Earning Call held on 2022 held on Friday, November 18, 2022 on the Un-Audited Standalone and Consolidated Financial Results of the Company for the Quarter and Half Year ended September 30, 2022.

You are requested to take the above on record.

Thanking You,
For **Orchid Pharma Limited**

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Marina Peter
Company Secretary



“Orchid Pharma Limited
Q2 FY ‘23 Earnings Conference Call”

November 18, 2022



**MANAGEMENT: MR. MRIDUL DHANUKA – WHOLE-TIME DIRECTOR –
ORCHID PHARMA LIMITED
MR. SUNIL KUMAR GUPTA – CHIEF FINANCIAL
OFFICER – ORCHID PHARMA LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Orchid Pharma Limited Earnings Conference Call hosted by Nuvama Wealth Management. We have with us today Mr. Mridul Dhanuka, Whole-Time Director and Mr. Sunil Kumar Gupta, Chief Financial Officer from Orchid Pharma Limited.

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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mridul Dhanuka. Thank you and over to you, sir.

Mridul Dhanuka: Good evening, everyone. Welcome to this conference call about the Q2 results of Orchid Pharma Limited. I am Mridul Dhanuka, Whole-time Director of the Company. The Company in this quarter has continued the momentum and we have been able to deliver growth on both top line as well as bottom line basis despite significant headwinds. The outlook looks positive going forward as some of our levers start showing progress and come in play.

We talked about four levers in the past, scale, increasing capacities at Orchid site. Progress seems to be on track on adding capacity on the Chennai block. On the old block, we are at the drawing stage. On 7ACA, land acquisition is progressing with due diligence going on onsite and work on pilot plant at Orchid has also started. This pilot plant should be commissioned by early Q2.

On the new product front also, the progress is going as per plan. Our three new products for the year are Ceftaroline, Ceftazidime +, Avibactam and Cefovecin. All should be ready to launch in Q1 next year, some as early as January, while Cefovecin will be the last to come out probably by March. Last but the most important product, Enmetazobactam, the first and only product invented in India to have cleared Phase III.

For filing for start of clinical trials for the Indian market will start in Q1 next year. And we understand that filing in Europe and US shall also happen within this quarter. The product should be launched in the international market in Q2 and Q3 of FY '23, FY '24. With all of these levers coming into play, we continue to build on our strength of being a leading antibiotic player in the world.

I now hand over the call to Mr. Sunil Gupta to talk about the results of this quarter and after that we can open up to the Q&A session. Thank you.

Sunil Gupta: Good evening everyone. Sunil Gupta, CFO of the company. I am glad to give the financials about the company. I would like to tell that turnaround is progressing well and during the quarter, Orchid Pharma maintain its growth momentum on year-to-year basis. Growth figure I would like to enumerate, our revenue for the quarter 2 financial year '23 stood at INR 165.2 crores versus INR 121.9 crores in Q2 FY '22. Thus registering a growth of 36% on year-to-year basis.

On half yearly basis, the sales increased from to INR 217.4 crores to INR 296.2 crores. Here also registered the growth was 36%. EBITDA stood at INR 23.7 crores in Q2 FY '23 versus INR 9.2 crores in Q2 FY '22. Our EBITDA margin for Q2 FY '23 was 14.3% as compared to 7.6% same year last year. On half yearly basis, The EBITDA increased from INR 17 crores to INR 39 crores, registering a growth of around 130%. So that was the broad figures from financial. Now I give the forum for questions and answers.

- Moderator:** We have our first question from the line of Rupesh Tatiya from IntelSense Capital.
- Rupesh Tatiya:** My first question is on capacity and capacity utilization. I have a little bit of confusion. So, if you go to your slide 16 on your presentation, can you clarify, improved the middle bar in our current capacity?
- Mridul Dhanuka:** I will tell you. The red bar that is there, the first bar, is the capacity that we acquired when we took over the business in 2020. The middle bar talks about the capacity we have been able to add by de-bottlenecking the processes, engineering improvement, time cycle, things like that, without any capex, and the third bar would be the capacity expansion that we are doing both in sterile and oral to add capacity. So out of the 75% roughly that we will be adding, approximately half has been added by de-bottlenecking and approximately half of that would be done by the new block which is undergoing commissioning as of now.
- Rupesh Tatiya:** So current, I mean it is either to put numbers, current capacity in oral is roughly 500 metric tons, and in sterile is 250 metric tons. Would that be a correct understanding?
- Mridul Dhanuka:** Yes.
- Rupesh Tatiya:** And this 750 total will go to 1,050, where sterile will go from 250 to 350, and oral will go from 500 to 700?
- Mridul Dhanuka:** Yes, something like that.
- Rupesh Tatiya:** And sir, in H1, I know H1 is a season, I mean H2, we are H2 heavy business has some seasonality, but what was the capacity utilization in H1?
- Mridul Dhanuka:** So on our sterilized plant, roughly the utilization is 90% and on the oral plant, roughly it is 70%.
- Rupesh Tatiya:** So sir, this again is slightly confusing because when I go through annual report '22, you did I think INR 550 crores, INR 560 crores of revenue in FY '22 and overall volume you have given is 240 metric ton and sterile volume you have given is 135 metric ton, right, and now you are saying that overall is at 70 and sterile is 90. So it's not, I mean adding up. If I take FY '22 whatever numbers you have given in annual report?
- Mridul Dhanuka:** A very good question. It's a confusing number also because the challenge is Orchid has a very wide product range of more than 30 products. So this capacity is designed on one product basis but the moment the product changes, actually the capacity number totally changes because the investors like to talk in that language.

We have given that. Just to give you one example, in one Sterile Plant if I make a product like, old product like Ceftolozane, maybe I will get 5 tons in one campaign of 15 days to 20 days. So the capacity is calculated, let's say on But let's say if I make a very high value product for which is \$1,500, \$2,000 that will come out maybe only 1000 kg in that same time period. So then the capacity of the plant is utilized fully but the total output has come out less. But if you look at revenue basis it might be similar number.

Rupesh Tatiya: So then let me ask you on the revenue point of view sir, in FY '23 on current capacity, the bottleneck capacity of 750 metric ton what is the peak revenue we can do? I mean, whether we do it or not, it's a different question, but what is the peak revenue that we can achieve based on how you are seeing business environment?

Mridul Dhanuka: It depends again on the product mix. So I can try and answer your question in another way. So I think whatever capacity that we are adding, that will help us continue the growth momentum that we have built. We have enough capacity for that. By changing the product mix, we can manage that.

Rupesh Tatiya: And once we go to 1050 total then what would be the revenue potential? Can we expect that we can double the number that we have done in FY '22 with then that capacity fully utilized optimum utilization?

Mridul Dhanuka: It would be difficult to say exactly numbers, but I think that could be close to that but it all depends on the pricing and the product mix.

Rupesh Tatiya: So we did INR 560 crores when this INR 1,050 crores comes online, we can say INR 900 crores to INR 1,000 crores then comparatively at least that much we should be able to do?

Mridul Dhanuka: Yes.

Rupesh Tatiya: Thank you for that clarification sir. My second question sir is in H1 can you tell me how much business was from India?

Mridul Dhanuka: I think Gupta ji, can you give that number? I don't have it off hand.

Sunil Gupta: Yes, I think it was around 15%.

Rupesh Tatiya: 15% of roughly INR 300 crores. Okay. So sir, I mean if we look at our group's history, the group actually has an excellent management skill to build the India business. So how do you see India business, let's say from two years point of view?

Mridul Dhanuka: So the business would continue to grow.

Rupesh Tatiya: We are roughly at 40 crores now. So maybe can you talk about how this business will evolve?

Mridul Dhanuka: Yes, I won't be able to give you exact numbers but in terms of growth there is going to be significant jump in numbers largely because a lot of new products are being launched for the Indian market. Like while we develop our dozers for the new products like Ceftaroline,

Ceftazidime + Avibactam and things like that. They would be first launched in the Indian market as we start manufacturing. So these products are going to give a good flip to the company for the Indian market. So we can see expect a good growth going forward in the Indian market as well. Our overall growth is also good and Indian market would also continue to grow well.

Rupesh Tatiya: So can you talk about in terms of I don't know how this I don't know if it's a hospital only business but can you talk in terms of number of distributors, number of hospital engagements, which region we are strong, North, South, East, West, which region there are low hanging fruits for us. Can you give some color to how you are seeing India business?

Mridul Dhanuka: Yes, Orchid is actually only a B2B business as of now. So we sell only to the companies who make the final product, which is injection or tablets. So the geography doesn't matter in terms of the doctor engagement. Orchid doesn't do those activities, our customers like let's say, Cipla, Mankind, Aristo, people like these would do.

Rupesh Tatiya: And one of our competitors, if my understanding is right, sir, has INR 700 crores INR 800 crores sales from domestic business. And when I look at the balance sheet, I see some issues related to debt. So considering that and considering management skill in building domestic businesses if you look at other group companies, at least you would aspire that India business will become INR 200 crores, INR 300 crores business in a reasonable time frame, two, three years let's say?

Mridul Dhanuka: Orchid's focus is not on India business, as one of our group companies, Dhanuka Laboratories Limited also does a lot of India business. So the idea is our capacities are reserved mostly for regulated markets, and there is very little material available to sell in emerging markets after that. Whatever is available, it is more of an opportunistic business for increasing volume. But for the new products where the profitability is higher, India market would definitely be a focus.

Rupesh Tatiya: The third thing, sir, my next question is where are we on the US FDA inspection? I think we were expecting an inspection in financial year '23, so you have heard anything from FDA?

Mridul Dhanuka: We have not heard anything from them. I wish I knew when they were coming. But we are ready whenever they want to come. So we have a 24/7 readiness.

Rupesh Tatiya: And are you blocked on supplies? You cannot do any supplies to US markets currently or you are doing some supplies to US markets currently?

Mridul Dhanuka: Absolutely we are not blocked. Our last inspection was July 19th. And till the time US FDA comes, they come at their own inspection. Earlier their mandate was to come in two years, but they have been extended that due to COVID. So our site is fully valid and active and we are exporting products to the US market.

Rupesh Tatiya: So US FDA is not a bottleneck. That's not a hindrance, hindering factor for US market as of now. Okay. And we were expecting some US customers approval, we were trying to go back, we were trying to revive old relationship, and kind of build that confidence back with US customers. So where are we on that journey?

- Mridul Dhanuka:** Yes, one of our products should be launched again in hopefully next quarter with one customer. As you understand when we acquire a new customer and they take on a new supplier, so they have to file with US FDA for approval. There is significant backlog at US FDA, so it's taking slightly longer than we imagined. One product should start Q1 next year.
- Rupesh Tatiya:** Q1, okay.
- Mridul Dhanuka:** Sorry, Q4, I meant calendar year Q1.
- Moderator:** Sir, can I request you to come back in the queue? Thank you. We have a next question from the line of Himanshu Upadhyay from O3 Capital.
- Himanshu Upadhyay:** Congratulations on good set of numbers for Orchid. Can you elaborate on what is the, what were the numbers for DLL for last year and even in first half? And is it making profits in FY '22, because FY '21 they were in loss? And it would be better for us to give some numbers of DLL also, at least because at one point of time, both these companies are going to merge. So it will be helpful for us also to understand both the companies' combined together, which will happen in next short period of time?
- Mridul Dhanuka:** It is difficult to give numbers because whenever the results are closed they are not mandated to be made at the same frequency as listed companies. But Gupta ji, can you just give the last financial year closed numbers?
- Sunil Gupta:** Yes, I will tell you for your information. Turnover was INR 430 crores and EBITDA was around INR 19 crores.
- Himanshu Upadhyay:** And has this performance improved in this year because the margins last year were pretty low, Mridul. And what is the thought process there?
- Mridul Dhanuka:** So that's actually very competitive market and unfortunately I don't have any information and won't be able to provide you what has happened in the last six months. So it is going to be similar, slightly improved. It should be around 8% to 10% that is our long term expectation. There were some headwinds last year. Hopefully due to energy prices, you are well aware and Orchid numbers have also would have been significantly better if energy had not affected us so badly.
- Himanshu Upadhyay:** And see some of the measures what we were thinking about growing the Orchid business was winning back some of the older clients which we had lost in US, in Europe. Okay. Can you elaborate what is the thing and just a theoretical number, can you give a percentage wise how much our order book would be higher than let's say last year at the same period of time just to understand what is the scope and progress we are able to make? So these two things.
- Mridul Dhanuka:** Yes, I think you know that would be in line with the growth that we are expecting. So order book numbers I wouldn't be able to disclose. But they are in line with what we are expecting.

Himanshu Upadhyay: And the first part on winning back some of the customers in Europe means are we able to win back?

Mridul Dhanuka: Yes, that's going on. So even November, we were, this first week November, the CPG was there in Europe. We met some of the customers and some of that winning back has happened. But the problem is in spite of the relationship being restored, the demand in Europe continues to be subdued. That is also reflecting also in our margins. So unfortunately in spite of the relationship restoration, the demand has not picked up for a few products that is creating a problem.

Himanshu Upadhyay: And we have seen an increase in the borrowings on the consolidated level and the cash flow generation has not been that strong like what we saw in last year's first half from operating activities. Can you elaborate on that? And can we expect significant improvement in cash flow and reduction in borrowings or you think they will tend to remain high only from here on?

Mridul Dhanuka: See I tell you borrowings have increased because if you remember last year during the merger process whatever we were earning before that was being plowed back in the business. Due to the merger process there was a transaction of some land acquisition, which we had talked about and taken approval for the share holders. So that land acquisition has happened for the merger process but the merger process is still not complete. So whatever we earned as cash has been unfortunately put in that land. Therefore you see that debt increasing. And also on our term loan we have taken a hit due to this dollar [technical difficulty 0:19:24] that is also reflecting in that value.

Himanshu Upadhyay: You were not audible term dollars...

Moderator: Can you repeat...

Mridul Dhanuka: Yes. So I said on the term loan that we have, we have taken a dollar-denominated loan because of forex fluctuation, we have taken a hit there. So that is also reflecting an increased loan and the land acquisition that we did from the earned money, which would otherwise have resulted in a loan reduction. So both these factors are weighing in on increased loan...

Himanshu Upadhyay: Okay. And one last question. See this in metals and metals back then we were expecting the first country to commercialize would be China. So and I think their filing had happened much earlier and the partner and everything was decided. So I think in by the end of 2021. So still it is taking so much of time. What is the progress there or you still expect China would be the first or you think now Europe or US will be the first one to...

Mridul Dhanuka: So of course I had explained earlier we are not privy to what's happening inside the company. But China would have had to do clinical trials on the Oriental race just like we are doing Indian clinical trials of the product on the Indian market. So China would have taken significantly longer time to launch compared to let's say Europe or US where the clinical trials are already done and they are populations.

So I'm not sure if for example November, December like we are expecting this year filing should be done. If that happens as per schedule maybe the first product to market could be China, could

be US actually. Because US has a fast track status for the product and from filing US FDA has given a date of five months of approval. Europe would then become the last because Europe would typically take 10 to 12 months to give approval to the product.

Moderator: We have a next question from the line of Nikhil Upadhyay from Securities Investment Management.

Nikhil Upadhyay: One is like on the P&L, if we look at our gross margin, there is a significant deterioration which has happened, which did not happen in the previous quarter. So is it a shift in the mix, like regulated market is lower versus previous quarters? Or is it purely because of the RM inflation?

Mridul Dhanuka: I would say it is a combination of regulated markets versus emerging markets, increase in [embra 0:22:24] prices and also the product mix. So the kind of products that we sold more this quarter more in this quarter would be causing that. So a combination of all three.

Nikhil Upadhyay: Sir, the largest question is that if you look at historically Orchid numbers at the gross level, the -- which is the sales minus RM cost, we used to be around 50% gross margin level. Last year, it had deteriorated because of the external issues. Do you think that we can go back to that 50% or the market has deteriorated in pricing so much the end pricing of the products that probably we will stay around that 40% 45%. What should we consider as a sustainable margin?

Mridul Dhanuka: So Nikhil, it's not price deterioration as much as more capacity utilization. Earlier Orchid was keeping its capacity idle and not taking business lower than, let's say, 50% gross margin, which was visible as a number. But, while incurring the fixed cost in the facility. So our decision has been to leverage those costs. And what if the gross margin is lower, that is still contributing to the bottom line, because the fixed costs do not increase in the same proportion.

If you see this year also, while our sales on a half year basis have roughly increased by 40%. Our expenses have -- if I remove the energy, they have only increased by only 10%. So that what I meant when I talked earlier about leveraging the assets, and it's a conscious call that we will continue to do business even at lower gross margin as long as it adds to the bottom line of the business. And in terms of the expectation, I think 55% to 60%, somewhere in this between only we will have the costs going forward.

Nikhil Upadhyay: Another question is because of -- because you said we had a term loan or the dollar denominated, is there an exchange loss in our other expenses, which we have booked are in the finance cost?

Mridul Dhanuka: Gupta can you answer that question?

Sunil Gupta: It is around INR 5 crores that we have booked in at INR 48 crores.

Nikhil Upadhyay: For this quarter and for full first half, how much would it be?

Sunil Gupta: For six months, it is INR 5 crores. But for quarterly, it is mainly in this quarter only. See dollar has mainly depreciated in this quarter.

- Nikhil Upadhyay:** And last question before I come back. Mridul on this merger. So what is the status now like post the high court ruling and everything, what are the -- where are we in terms of the re-filing and how is the time line now?
- Mridul Dhanuka:** We are going to appeal in NCLAT against the NCLT order -- so that's going to happen in this month. And based on the outcome of that, then we will take, decide the next step, what is to be done after that. So we believe that NCLAT order should come in our favour and then the process would start gain.
- Moderator:** We have a next question from the line of Viraj Parekh from Carnelian Asset Management LLP.
- Viraj Parekh:** Just a couple of questions. You said that Europe relationships have been restored, but the demand is still subdued. So if you can give me an idea of about the contribution of a percentage revenue came from Europe in H1 versus last year to give a better understanding on how we are placed there?
- Mridul Dhanuka:** Yes. It should be in the similar range Viraj. Around 40% comes from Europe. So it still is the similarly. It has grown in terms of absolute value, but in terms of authentic contribution, it might have fallen by one or two percentage points compared to last year.
- Viraj Parekh:** So just another follow-up on the earlier question. Is that you're saying that there's a drop in the margins because of unregulated and regulated mix. So if you could help me understand what was that mix in Q2? And secondly, which products are we seeing -- I know that **[inaudible 0:27:20]** vaccine, which we are ready to launch, is the niche production a high value-added product. So going forward, if we are to see a margin improvement, which is currently 10% ordering for to move upwards. So which products do we see this kind of margin coming in, if you help me understand?
- Mridul Dhanuka:** Yes. So like I just answered the previous question, for long term, the margin gross margin would continue to stay around 40%, plus/minus 2%, 3%. But the EBITDA margins would increase mostly from sweating of the assets like I explained. So if you look at all the levers of that cost that we have, we have significantly progressed in terms of those percentages to our sales -- on employee costs, we are improving as the percentage sale.
- On total cost, we are improving as a percentage to sale. Energy has taken slightly ahead, like I was explaining, those costs have spiraled in this year. But otherwise, we are making significant strides. And for 40% sales growth, non-energy costs have only increased by 10%. So as we grow this further, this is the lever which is going to add the most amount of number or lead to EBITDA.
- Viraj Parekh:** Can I give an understanding on the rule which are the value-added products for us?
- Mridul Dhanuka:** Yes. So the three products that we'll be launching, Ceftazidime, Avibactam, Ceftriaxone and Cefovecin all will have large margin contribution, but they would be newer products. So volume uptake will take some time to build.

Viraj Parekh: With these products, I mean the Ceftazidime, Avibactam, Ceftaroline both of them are launched in if I'm not wrong in the US market, close to the patent expiry, like are target for US market for Avibactam is close to Sep 24 and the patent expires in '26 and for Ceftaroline also it expires in '23 and the filing is also close to that date. So will that contribute significantly margins because it's very close to big mix, it would be a volume gain.

Mridul Dhanuka: Volume actually sounds like large, but for example, in terms of KG, are out of the \$160 million market of US, it's only a 600-kilo market for Ceftaroline. So it's not very huge volume. So it depends on how much we are able to capture when U.S. comes. What I was talking about is going to, like I said, take a little bit tough time like you just talked about the patent expiry date. But emerging market business sales for these products would start and because in their new products, even in emerging markets, there also the margin contribution would be significantly higher.

Viraj Parekh: So we are targeting mid-teens, let's say, by FY '24?

Mridul Dhanuka: I think for yearly numbers, it would be difficult to give. Our long-term guidance would continue like we had said.

Viraj Parekh: Last question from my end. If you can help me understand like what is our time line in terms of the promoter stake, which we need to reduce. And if you can help me just get an understanding of the regulated, unregulated mix for this quarter or H1 both?

Mridul Dhanuka: I unfortunately have not calculated the exact number, but it should be close to our overall number, which is 1 to two third. And your question on the time line of the liquidation, I think it still seems as SEBI guideline March 31st -- March 31, 2023.

Moderator: We have a next question from the line of Rupesh Tatiya from IntelSence Capital.

Rupesh Tatiya: So sir, in terms of cost optimization now, I mean I understand that newer product launches is one of the margin expansion drivers that will have once these products start launching from Q4. But on cost side now, are there more things that are left to do?

Mridul Dhanuka: I never say never, but things are continuously going on. For example, last year, this year, may be commissioned a solar plant which led to let's say roughly INR 50 lakhs, INR 60 lakhs per month kind of saving. But the energy, if for example that had not happened I would have been sitting on a much larger bent on my power and fuel cost.

So some of those have been absorbed already by the increased energy, cold prices, furnace oil, diesel and even in Tamil Nadu the government has now increased the power cost and the minimum charges. So, all of that has been absorbed by the increases. So we continuously work on productivity improvement and cost reduction exercises, but there is not going to be a significant change in the numbers that we see today.

Rupesh Tatiya: And sir, you said that in H1 product mix was slightly on the inferior side. So how is generally our product mix in H2?

- Management:** Yes. So if you look even last year number, so H2 is number normally a higher gross margin kind of half, if you -- so that's what we expect. But like I said, Europe has continued its effect on board. Last year, H2, the war started in February by the time most of our material had gone to Europe. Let's see how it shapes out in the next month or so we will get more picture, but it is definitely affecting the Europe market, the current war, and the recession there.
- Rupesh Tatiya:** So my next question is on Enmetazobactam. So you -- just to clarify, you said EU launch will be in Q2, Q3 financial year '24. Is that correct?
- Mridul Dhanuka:** That's my just estimate for US and Europe markets, US or China. So like another question I was answering earlier, -- so China, my expectation was -- should be first to launch, but I don't have any news. But now that you are if it is filed, that could also be the first to launch. It's kind of a guessing game right now with the visibility I have.
- Rupesh Tatiya:** And then, sir, can you -- I mean, just clarify on royalty point of view for China market, [**Alecra and Advance 0:34:36**], when do you expect to get this royalty?
- Mridul Dhanuka:** Yes. So like I said, if it is launched in Q2 next year. So from that, whenever the sales are, the royalty would start.
- Rupesh Tatiya:** And milestone payments also is linked to the launch.
- Mridul Dhanuka:** No, we don't have any milestone payments -- only royalty payment is on sale.
- Rupesh Tatiya:** And -- I think in one of the previous calls, you were also talking about contract manufacturing opportunity for Alecra. So is there an update you have intense?
- Mridul Dhanuka:** That's slightly a longer term plan. After they launch the product, three years after that only something will materialize, long term, premature to talk about it right now. I talked about it earlier as only possibility in the future because they have started discussions around that.
- Rupesh Tatiya:** But I mean, for their launch, would we be supplying something...
- Mridul Dhanuka:** We have an exclusive arrangement with their current partner like I said for three years.
- Rupesh Tatiya:** And I mean, I know you talk said that domestic is really not your focus, but I -- you have put this domestic market size for Enmetazobactam. And then there, this tip is roughly INR 1,000 crore market you're seeing. So in the medium term, I mean that -- I think that is the market which will move to Enmetazobactam and [**Cef plus Enmetazobactam 0:36:11**] So how do you see that product from domestic market point of view?
- Mridul Dhanuka:** Yes. What I wanted to actually say, maybe I was not clear so what I wanted to say we don't want to compete in the domestic market on a price basis only. You want to compete as the domestic market on differentiated products. So by no way, I meant that domestic market is not attractive to Orchid and not our focus. But our focus will be with the newer products like Ceftaroline, Ceftazidime, Avibactam and Enmetazobactam of course.

- Rupesh Tatiya:** And all these products will also be launched in India in Q4, right, starting Q4?
- Mridul Dhanuka:** So Enmetazobactam will take time. That has to be -- clinical trials have to be done on it. That would come in FY '20 next year, so January sorry, April of '24. But Ceftaroline will be launched in, yes, Q4
- Rupesh Tatiya:** And in one of the previous calls, you had talked about -- you had got one approval from Chinese customers. So is there an update you can provide on that?
- Mridul Dhanuka:** Yes. So we are already exporting after that approval sales had already started, we continue to export to China.
- Rupesh Tatiya:** And just last very slightly difficult question is I went through the Dhanuka merger press release. And the reason looked like there were some mismatch in the financial dates of the Dhanuka and Orchid, was it inadvertently that error happened that is question number one and we are still committed to merging the two companies those are my two questions on that merger
- Mridul Dhanuka:** Let me answer the second question first. So we are still committed. It's very difficult for us as management to run two businesses parallelly in similar lines. As you are aware of, Dhanuka's corporate governance track record, we don't want to do that at all. Unfortunately, things are not in our control. In terms of what happened, what have been given to understand it, it was more procedural.
- The fact remains when we filed for our results only our December '21 results were available. So the creditors number was from December '21 audited numbers. and the creditor list from whom you have to convene a meeting and take approval that cannot be 60 days, more than 60 days old on the date of filing. So that was dated on 28th Feb and the court said the 28th Feb and 31st December don't match, which obviously they wouldn't. So what I've been given to understand from our lawyers, typically the court would ask for a query.
- And then obviously, some time would have passed and you would then share the latest audited numbers of the same day to satisfy that and we would move forward. But incidentally, it seems on the same date, 40-50 application due to this technicality. And that's what we are going to challenge in NCLAT. Hopefully, we will get a favorable hearing.
- Rupesh Tatiya:** Best of luck on that. Hopefully, no procedural issue comes out when we go through that process. And then sir, my final question is the Dhanuka lab side, I think we had some capacity on NPNC side and it was ramping up. So if you can maybe not number-wise, but maybe qualitatively, if you can give an update how the NPNC business is going in BLL side?
- Mridul Dhanuka:** It is growing. And there also, we are focusing largely on a similar strategies Orchid that is backward integrating, removing dependency from China for our suppliers so that we can have more control of the market of the few products that we have launched. So we are expanding there, investing some money to add backward integration capability. That business also continues to grow.

- Moderator:** We have a next question from the line of Tarang Agrawal from Old Bridge Capital.
- Tarang Agrawal:** A couple of questions. What's your salience on Peninsulan G and 7-ACA currently in terms of the quantum of raw material that you might require. Number two, how the prices for this product moving? And what do you think is driving the prices -- just wanted to get some sense on our prices.
- Mridul Dhanuka:** Can you just repeat? I missed your voice cracked in between. Repeat the question?
- Tarang Agrawal:** Okay. So what's your dependence on 7-ACA and Pen-G in terms of quantum? And how are the raw material prices moving, I believe, both the prices are inching upwards. So what are they trading at currently? How have they been? And what is driving these prices to be where they are? And how do you see this going forward?
- Mridul Dhanuka:** Yes. So Orchid do not use any Pen-G directly. But yes, we are affected by the changes in Pen-G price because we use some advanced intermediate mix from Pen-G. And as for my understanding, current Pen-G price should be somewhere around \$20. And which used to be \$9 a few years ago. So that significantly affected our coop, but as I have explained earlier in the past calls, for most of the emerging markets, we are able to get very quick changes in pricing. It's almost like today's price.
- Even for our regulated market customers, we have been able to park on those costs. On 7-ACA, of course, the current prices continue to stay around \$60 to \$65, the same range. They have not been elevated significantly in the past. And they are fairly stable, and we expect them not to change much going forward as well.
- Tarang Agrawal:** And what's driving the Pen-G prices, which were historically at \$9, \$10, which are even I guess, gone up to \$35-odd and now come down to \$20.
- Mridul Dhanuka:** Yes. I would be speculating if I say anything. Definitely, it is not cost...
- Tarang Agrawal:** And capacities for the two of them are 100% out of China, right?
- Mridul Dhanuka:** Yes. For the entire world, yes, we are dependent on China for these two products, yes.
- Moderator:** We have a next question from the line of Nikhil Upadhyay from Securities Investment Management.
- Nikhil Upadhyay:** Yes. Just one question. Mridul you mentioned that these three products, which the new products we would be launching in India market. is the pricing for these products better than existing basket of products? And are these largely like are there enough suppliers in India? Or what is the status of the market in India for these three?
- Mridul Dhanuka:** Yes. So pricing is definitely significantly better. So some of the lowest cost cephalosporin like for example, [Ceteraizone 0:44:15] could be is somewhere around \$100 -- we have not finalized the pricing of these products in the market. But definitely, it is more than even 10 times of Cephalzone. So very, very high price in specialized products. In terms of competition in the India

market, we hope to be the first one to launch in the Indian market for both of these products. Enmetazobactam, of course, our patent product, nobody else will have it. So these two will be generic, but right now, we hope to be the first part.

Nikhil Upadhyay: And what is the status of our filing in US and Europe? So is it like we have an approval date with us? Or is it still being reviewed?

Mridul Dhanuka: No. So the filing will be done later. So what happens is we will first make the product...

Nikhil Upadhyay: So we currently...

Mridul Dhanuka: No. So they are at lab, they were at a lab scale. So we have procured the raw material for that. So once it is made, we will do the validation, that is stability and things like that and then file. So with -- in India, you don't only a lab stability is enough to launch.

Nikhil Upadhyay: So this US, Europe for launch would take at least 1, 1.5 years at least before filing...

Mridul Dhanuka: Yes, it will take 1, 1.5 years.

Nikhil Upadhyay: Okay. And lastly, on previous calls, you had mentioned that for commercializing marketing of Enmetazobactam, you would look at putting your own MR team and all. Wouldn't it make a lot more sense to be a partner with an existing players? Or have you given any thought of around that?

Mridul Dhanuka: Yes, we had. I said that was a possibility. We have not taken a call on that. And obviously, it sounds attractive, but we are aware of the challenges having a B2C business in the agri space. So we understand the challenges of B2C businesses in India. And of course, in pharma space, it's even more challenging. So but we have not taken a call on that yet.

Moderator: We have a next question from the line of Viraj Parekh from Carnelian Asset Management.

Viraj Parekh: This is just one question. I'll spoke about the capacity expansion in oral and sterile. Could you help me with the capex you would be incurring to expand capacity and also the approximate project capex for the 7 ACA plant?

Mridul Dhanuka: So on the 7-ACA plant, we had announced INR 50 crores. So that was -- we started investing - - so maybe by January or February, I will have a closer handle on the number in terms of how much is already invested. Right now the amount is not large. And on the oral plant, the expansion would be around INR 20 crores, INR 30 crores. So less than INR 100 crores for both combined. And for 7-ACA, it should be closer to INR 400 crores, INR 500 crores.

Viraj Parekh: And we are in the process of acquiring the land at J&K or is it almost done? Can you help me get a number...

Mridul Dhanuka: We had been due diligence at a few sites. So depending on the status of that, this will be finalized. -- slightly complicated in Jammu because till 370 was abolished, outsiders couldn't come and

buy land at Jammu. So taking a little time over there to get the titles and all of those things clarifying.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Mridul Dhanuka for closing comments. Over to you, sir.

Mridul Dhanuka: Thank you, everyone, for the difficult questions you asked. I understand Orchid is a different kind of story. Hopefully, we be able to make it very, very positive, a favor towards the IBC law that the government of India has enacted. And with the levers that we are working on, we feel that our dream of being the leading antibiotic player in the world could materialize soon. Thank you once again for joining the call. Bye

Mridul Dhanuka: Have a good evening.

Moderator: Thank you. On behalf of Nuvama Wealth Management, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.