CONCORD BIOTECH LIMITED

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September 13, 2023

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

Dear Sir/Ma'am,

Subject: Transcripts of Q1 FY24 Earnings call held on September 07, 2023

In continuation of our letter dated September 07, 2023 regarding Audio recording of Q1 FY24 Earnings call for Investors and Analysts and pursuant to Regulation 30 (6) of the SEBI (Listing Obligations and Disclosure Requirements) 2015, the transcripts of the Earnings call for the quarter ended June 30, 2023 enclosed herewith and available on the website of the company at the following link after sending this letter to you. Also please note that this transcript and the audio recording of the call, both have been uploaded on our website as follows:

https://www.concordbiotech.com/investors

Kindly take the same into your records and oblige.

Thanking you,
Yours faithfully

For Concord Biotech Limited

PRAKASH LALCHAND SAJNANI

Digitally signed by PRAKASH LALCHAND SAJNANI
Date: 2023.09.13 16:05:37 +05'30'

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

CONCORD BIOTECH
Biotech for Mankind...

"Concord Biotech Limited

Q1FY24 Earnings Conference Call"

September 07, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 7th September 2023 will prevail

CONCORD BIOTECH
Biotech for Mankind...

CHORUS CALL

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

MODERATOR: **MR. SAGAR SHROFF – SGA**

Moderator: Ladies and gentlemen, welcome to the Q1 FY24 Earnings Conference Call of Concord Biotech Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded. Now I hand over the conference to Mr. Sagar Shroff from SGA. Thank you and over to you.

Sagar Shroff: Thank you. Good evening, everyone and thank you for joining us on Q1 FY24 Earnings Conference Call for Concord Biotech Limited. Today we are joined by Mr. Sudhir Vaid, Chairman and Managing Director, Mr. Ankur Vaid, Joint Managing Director and CEO, Mr. Lalit Sethi, Chief Financial Officer and Mr. Prakash Sajnani, Compliance Officer and AVP Accounts. Company has uploaded its financial results and investor presentation on company's website and stock exchanges. I hope everybody had an opportunity to go through the same.

We'll begin the call with opening commentary by the management, followed by question-and-answer session. I would now like to invite Mr. Sudhir Vaid, Chairman and Managing Director for Concord Biotech Limited to give his opening remarks. Over to you, sir.

Sudhir Vaid: Good evening, everyone. Thank you for joining us on our maiden earnings call to discuss the operational and financial performance of Q1 FY24. To begin with, I would like to thank and congratulate all the stakeholders, investors, bankers, and business partners for helping us to achieve a milestone of getting listed on the Indian Stock Exchanges. We were delighted to see strong response for our IPO. Since this is our maiden call, I would like to first take you through broad industry update and strategy going forward. Followed by this, we will share the operational financial highlights for the quarter, post which we will open the floor for questions and answers.

The global API market as of 2022 was valued at approximately USD 219 billion, which is expected to reach approximately USD 278 billion by the year 2026, at a projected CAGR of 6.1%. Of the total market, biological APIs accounted for 37% of the share in 2022. Small molecule APIs accounted for the remainder of 63% share. The global API market can be broadly segmented into therapeutic areas such as anti-infective, oncology, immunosuppressants, and others. Of these immunosuppressants accounted for 7% of the market and is expected to grow by approximately 9.7% and oncology market which accounted for 19% is expected to grow at a CAGR of 19.7%.

At Concord, we are the market leaders for immunosuppressants and the only supplier in the world having complete portfolio of fermentation-based APIs for the immunosuppressants. Alongside, we have also developed our capabilities into niche fermentation-based APIs in oncology, anti-infectives, and antifungal APIs. The Indian API market valued at USD 17 billion, in INR around 1,377 billion in 2022, comprises of APIs manufactured for exports and APIs

consumed in formulation by Indian formulation companies. These formulations are domestically consumed as well as exported to the global market. India's growth trajectory of the API market is well cemented for domestic API consumption as well as exports.

The total India API market is expected to grow at a CAGR of 11.1% between 2022 and 26. The API consumption for domestic formulations is also expected to drive high demand in the next four to five years. This growth is in line with the overall growth of pharmaceutical drug consumption in the country. Export during the same period is also expected to grow at a rate of 7% to 9%. Let me touch upon brief history of Concord and its current positioning. Concord embarks on its manufacturing journey in 2000.

Initially started with production of enzyme with just one manufacturing block, but with an experienced team of biotechnologists, especially in the field of fermentation. Over the years, company has made remarkable strides and currently operates approximately 41 manufacturing blocks across three manufacturing units, offering a wide range of products, spanning diverse therapeutic areas and segments.

Notably, Concord stands out on the global stage as one of the few companies that have effectively and sustainably established and expanded their capabilities in the fermentation-based API manufacturing. Furthermore, Concord proudly holds the distinction of being the only supplier of a complete production portfolio for fermentation-based immunosuppressants APIs. Fermentation as a core component of our manufacturing process presents unique challenges. It involves the intricate management of microbial strains, the precise control of multiple interconnected processes, and the execution of various purification steps.

The slightest adjustment to this process can yield significant variations in the final output. As a result, this approach stands in stark contrast to chemical synthesis, requiring a highly specific, scientific, and quality-centric approach. As we expanded our market presence in the specialized fermentation-based API industry, we took a strategic step of entering into the formulation business back in 2016. Our Valthera facility was established with the purpose of producing forward integrated formulations for oral solid doses. Over time, we have successfully developed and are now manufacturing products and catering to both domestic and international markets.

At present, our Valthera facility boasts an impressive capacity of approximately 802 million units. Furthermore, as part of our commitment to strengthening our position in the formulation business, we are in the process of establishing an injectable facility. We anticipate that commercial production at this new facility will commence by the first quarter of the next financial year. Over the years, Concord has diligently cultivated its capabilities and an extensive range of products, positioning itself at the forefront of the competition. We have steadily expanded our customer base across global markets.

This strategic approach has solidified our reputation and enabled us to make deeper inroads by attracting additional customers and further penetrating our existing client space. The production of fermentation-based API is inherently complex, making us one of the very few global suppliers capable of manufacturing a comprehensive range of products under one roof. In recent times, the industry has witnessed significant consolidation of manufacturing activities. Several

companies have encountered challenges related to the growth on the back of skill shortages, lack of scalability, and a limited product portfolio. This has presented us with ample opportunities to expand our presence in various markets and geographical regions, ultimately contributing to the growth of our revenues and market shares. Let me share with you the prospectus and driving factors within the API market for the Indian companies. The rising prevalence of chronic diseases, India's largest population and diverse demographics have led to a wide spectrum of diseases including chronic conditions.

This ongoing trend will continue to drive the demand for APIs and formulations within the domestic market. Expansion of generic drugs, According to various industry reports, numerous drugs are set to lose their patents between 22 to 26. This presents a significant opportunity for increased product volume and growth, creating a higher demand for the corresponding APIs. Surge in formulation exports, India currently stands as one of the largest drug manufacturers globally.

Indian pharmaceutical companies consistently secure 30% to 35% of ANDA approvals annually, establishing themselves as reliable exporters of generic drug formulation to regulated markets. As Indian firms continue to expand their export capacities, the demand for relevant APIs will also see an upswing. Adoption of the China plus One strategy, countries worldwide are actively diversifying their sourcing options, reducing dependency on single suppliers, particularly those from China.

This dynamic opens up substantial opportunities for Indian pharmaceutical companies to emerge as alternative suppliers for both regulated and unregulated markets, leveraging their high capabilities and focus on innovation. Supportive government initiatives and PLI schemes, concurrently favourable government schemes and the production-linked incentives program have provided a significant boost to the Indian pharmaceutical manufacturing sector.

With a high runway for growth and improving market scenario, especially for Indian pharma companies, we remain highly optimistic about the future of our company and are confident in our ability to elevate the company to even greater heights. Thank you and now I invite Ankur Vaid, Joint Managing Director, and CEO to take the discussion further.

Ankur Vaid: Thank you and a very warm welcome to all the participants on the call. Concord Biotech, an Indian biopharmaceutical company is holding a very prominent global position in the research and the production of niche fermentation-based APIs. Our expertise extends to various therapeutic areas including immunosuppressants, oncology, anti-infectives and anti-fungal. We serve more than 70 countries including regulated markets like the United States, Europe, Japan, and India.

Our manufacturing operations encompass two key areas. Firstly, the biopharmaceutical APIs. We employ a combination of fermentation and semi-synthetic products methods to produce APIs that span multiple therapeutic domains, including immunosuppressants, oncology, anti-infectives, and antifungal. The second area is the formulation manufacturing. This encompasses the production of formulations in therapeutic segments such as the immunosuppressants and

nephrology drugs which are critical for addressing healthcare needs in scenarios requiring intensive care.

Concord has invested significantly in capacity expansion in recent years. With our new capacities coming on stream, we are in the process of scaling up our API production to serve more customers. We currently have 23 APIs, which are commercialized, and have filed more than 128 DMFs across several countries for our APIs. Concord offers a portfolio of seven fermentation-based immunosuppressant APIs like tacrolimus, mycophenolate mofetil, mycophenolate sodium, cyclosporine, sirolimus, everolimus, and pimecrolimus.

Our strategic focus is on further expanding our API portfolio across therapeutic areas, especially in oncology, where we currently have 6 APIs for global markets, and anti-infectives and anti-fungal, where we currently have 7 products. Also, we continue to invest in R&D and have a strong pipeline of products under development across therapeutic areas of Immunosuppressant, oncology, and anti-infectives, which have an addressable market size of USD 2.5 billion at the formulation level.

In India, we have a portfolio of 77 approved products across Immunosuppressants, nephrology drugs and anti-infective drugs for critical care. In addition, we have obtained four ANDA approvals for six products from the US FDA. We have a pan-India presence through our sales team. We also have a B2B contract development manufacturing organization business, where we supply Immunosuppressants to the Indian market.

Our immunosuppressant formulations are manufactured in facilities inspected and accredited by overseas regulators such as the USFDA and several other emerging market regulatory authorities. Our formulations are also distributed to the U.S. and countries in Asia, Africa, and Latin America on a B2B basis primarily through arrangements with distributors. On the manufacturing capability side, we have three manufacturing facilities in the state of Gujarat comprising API manufacturing facilities in Dholka and Limbasi and a formulation manufacturing facility in Valthera which were commercialized in 2000, 2021 and 2016 respectively.

Our total annual installed fermentation capacity for API is around 1,250-meter cube. We have a total of 41 manufacturing blocks and close to 400 reactors at Dholka and Limbasi facilities, which allows us flexibility in plant configuration to cater to customer demands. Our Dholka facility has been subject to inspections by overseas regulators including USFDA, government of Upper Bavaria, Germany, PMDA, Japan, MSDS, and Korea on a periodic basis since 2005.

We have an impeccable track record with these inspections. In addition to the regulatory inspections, our Dholka facility has been subject to audits by our customers regarding adherence to their specifications and standards since 2005. With a high focus on quality compliance and meeting global regulatory standards, we expect the Limbasi facility which has come up in 2021, to clear regulatory and customer inspections without any hiccups.

And this will allow us to cater to the regulated markets. I'm happy to inform you that USFDA authorities inspected our Limbasi facility from 26 to 30th of June of 2023. And the inspection

was successfully concluded with zero 483 observations. We now have an EIR report for the same. So with this, customers have now initiated qualification of the Limbasi facility. I would also like to highlight that we have only one manufacturing standard across our facilities, which is followed irrespective of the end markets, be it regulated or semi-regulated markets.

The annual installed production capacity of our formulation manufacturing facility in Valthera, which was commercialized in 2016 is around 800 million units. The Valthera facility has been subject to inspections by overseas regulators including USFDA, GMP of Kenya, National Drug Authority of Uganda, FDA Republic of Philippines and WHO.

Further, we are in the process of enhancing our capabilities in formulation manufacturing through our injectable facility. Speaking of R&D, in research and development we have set up two DSR approved R&D facilities comprising of 148 members, a significant number of whom had full doctoral qualifications. Our R&D team has showcased its proficiency in moving products, even complex ones, from the R&D stage to full commercialization.

Our R&D endeavour are centred on pivotal tasks such as pioneering new product development, enhancing cost effectiveness, refining processes, facilitating technology transfer, and executing scale-up initiatives. We will continue to focus on our R&D in the future to develop new products for domestic and global markets for our existing and to target new customers.

Our product selection assessment encompasses a comprehensive evaluation of factors such as the market potential, competitive dynamics, technical feasibility, and the intellectual property landscape for each prospective product. As of now, we have successfully developed and brought to market 23 fermentation-based APIs with the valuable support of our dedicated R&D team.

Furthermore, through ongoing R&D initiatives, we consistently bolster our capabilities for backward integration. This empowers us to internally manufacture APIs, which serve as a pivotal starting material for our formulations. This strategic approach ensures our ability to maintain cost competitiveness and a steady supply for our key products. Talking about our customer base, our customer base extends across the globe with a presence in more than 70 countries, comprising of over 200 plus customers who rely on our APIs and formulation.

Furthermore, we have solidified our partnership with customers through long-term supply agreements, and several of our top revenue generating customers hold prominent positions in their respective regions. Moreover, our commitment to building enduring relationships is evident from the fact that we have maintained an average customer relationship span of eight years with our 10 largest customers by revenue.

However, as a de-risking strategy, our revenue contribution from the top 10 customers stood at approximately 45% in FY23, which was approximately 60% in FY20, while revenues have increased by close to 18% CAGR during the same period. This is a testimony of new customer addition, increasing the share of wallet among existing customers. We have added approximately 50 customers in FY21 and FY22 and have added close to 63 customers in FY23.

With high quality niche products, we've been able to successfully add new customers across therapies and geographies over the years. We will continue with our endeavour of adding new

customers and increasing in the share of wallet of our existing customers as well. To take you through our strategies going forward, our primary strategy is to continue to increase our market share and develop our portfolio of complex and niche products with high growth potential. API will continue to be the core focus of the business and we will continue to increase our wallet share among existing customers by selling them existing and new products across therapies.

Also, our investments into new manufacturing capacity has enabled capabilities to grow our wallet share from existing customers. Secondly, adding new customers across different geographies with established product portfolio and with the commercialization of new products. Thirdly, increase our presence in existing formulations and add new formulations by adding geographical reach, launching new dosages, and expanding the product portfolio.

And the fourth lever being the growth in the CDMO business. So, with the capacity expansion at our Limbasi facility, the China plus One strategy and given our expertise in the fermentation area, we see this as a growth opportunity for future growth in the company. And the last growth lever for us being the increased utilization of existing and new facilities by adding more customers, and products to be marketed and sold across geographies.

With an established track record, manufacturing capabilities and expertise, presence across complex fermentation value chain, and global leadership in our select portfolio, we are optimistic about our growth going forward. Now, I'll hand it over to Lalit Sethi, our CFO, who will provide further insights on the financial and operational performance for Q1 FY24.

Lalit Sethi: Thank you, sir. I will take you through the financial performance of this quarter. On the revenue front, our revenue for quarter 1 financial year '24 stood at INR 194.8 crores as compared to INR 181 crores in quarter 1 financial year '23 representing a growth of 8%. Our API business revenue stood at 84% in quarter 1 financial year '24 as compared to 86% in quarter 1 financial year 2023.

The contribution from the formulation revenue was 16% in this quarter as compared to 14% in the same quarter last year. Our domestic revenue stands at 54% of the total revenue and the balance 46% of the revenue is derived from exports. With respect to the EBITDA, our reported EBITDA for quarter 1 financial year '24 stood at INR 72.2 crores as compared to INR 64.6 crores in financial year '23 quarter 1, representing a growth of 12%. EBITDA, including share of profit from the JV, stood at INR 78.2 crores with a margin of 40.1% and a growth of 100 bps, Y-on-Y.

On profit after tax, our profit after tax for quarter 1 financial year '24 stood at INR 54.5 crores as compared to INR 49.3 crores in quarter 1 financial year '23 representing a growth of 11%. Our PAT margin stood at 28% in this quarter, a growth of 80 bps as compared to the same quarter last year. Our net debt as on 30th of June is stood at around INR 25 crores.

So with this, I shall now leave the floor open for question-and-answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Chintan Sheth from Girik Capital. Please go ahead.

Chintan Sheth: Yes, thank you for the opportunity and congratulations to the team for the maiden IPO and a successful one. Sir, a couple of questions. One on the revenue side, if I look at your export's revenue share has declined, implying 12% degrowth over the Q1 of last year. Would you like to throw some light, what are the reasons for exports sales being slower than the overall company?

And second, in the seasonality, if I look at your quarterly numbers, whatever you have provided so far, Q4 of last year formed almost 32% of the overall full year '23's revenue. If you can also help us understand the seasonality in the business in terms of which quarters, you know or share how the quarterly revenue shape up going forward and any guidance in terms of what to expect in the coming quarters as well? That is the first one.

Lalit Sethi: I just take your first question, second question first, regarding the seasonality which you have spoken about. If you look at the historical trend, our first half revenue constitutes about 35% to 40% of the revenue of annual revenue, whereas the remaining 65% to 70% comes in the second half. So, if the same principle applies as you have mentioned on the first question of exports, why it has been declined in the first quarter, because exports are expected to grow in the second half of the financial year.

Chintan Sheth: And given that we have historically grown at a high mid-team number, that will be the expectation from the management given the capacities are already in place and the products are already in, you know, the new capacity is also up and running. At least we expect to grow for the full year. That's how one should look at?

Ankur Vaid: So, you know, Concord should be looked more from, on an annual basis rather than being looked from a quarter-on-quarter basis. Because there could be some amount of lumpiness which could come on a quarter-on-quarter basis. But as Lalit mentioned typically, historically we have seen that quarter three and quarter four is where the sales really start to pick up.

And so it's basically going from quarter one and then slowly and steadily picking up and having full steam by the end of quarter four because typically quarter three is like a financial closing for many of the export companies, many of the foreign companies and quarter four being that for Indian companies.

But that being said, I think, given that we are in a very niche segment and how we are operating, we should be more so being looked from an annual basis than being looked from a quarter-on-quarter basis. And as rightly said by you, that there are, we have now, we have enough capacities at the API as well as at the formulation stage and a very diverse portfolio of APIs and formulation which will ensure that the growth aspects that we're looking for this year and going forward will be met.

Chintan Sheth: Right. And if you can talk about the new product development size, you mentioned, touched upon the formulation market size is around 2.5 billion, but if you can provide at what stage and what will be the likely timeline for those products to come on stream? Would be helpful.

Ankur Vaid: So we have close to around eight to 10 molecules which are there in the pipeline across different segments such as the Immunosuppressants, Oncology, and anti-infectives and one would appreciate that it takes close to around six to seven years to kind of develop the molecule in the

fermentation space. And there are products which are at different life cycles within the development, R&D development stage.

But typically, I say that one can expect around one to two molecules that would become commercialized based on our historical trend is what I would point out. But it'll be difficult to mention which specific product would become commercial because it will all depend upon the market dynamics about the state at which we are with respect to those molecules.

Moderator: Thank you. We'll take the next question from the line of Karan Surana from Monarch AIF. Please go ahead.

Karan Surana: Yes, so my first question is that, could you just elaborate on the potential disruptors or risks that the management can identify as threats to our EBITDA margins stability over the long term? I mean, other, I'm just trying to ask from like a, you know, broader perspective if there are any external factors or industry trends that could potentially impact our EBITDA margins going forward. Seems like we've been able to maintain healthy EBITDA margins for almost a decade. So, I'm just trying to understand whether the sustainability could continue maybe in a three- or five-year kind of a period?

Ankur Vaid: So yes, I think one of the major risks that Concord carries, which is, I would say, very much typical to any pharma company is that of a regulatory risk. And you know, this could definitely impact the business of the company. However, I'm happy to say that Concord has had a very good track record with the regulators.

As I mentioned, in June of '23, our Limbasi facility was inspected by USFDA and was concluded with zero 483 observations. In March of 2023, we were also, our Unit 2 formulation facility was also inspected by the USFDA. And last year we were, for Unit 1, we successfully concluded our Europe and Japan regulatory inspections as well.

So while, you know, we have been inspected by regulatory authorities, but still, this is a risk that we carry. However, we have a very strong theme of quality, QA, and QC, which ensures that quality standards are maintained on an ongoing basis. With respect to any other risk, I won't call it a risk, but of course, any changes in the macroeconomic conditions could impact companies in the pharmaceutical space, whether it is through changes in certain raw materials or changes to certain power and fuel costs, which could affect us as it would affect any other pharmaceutical company.

So I would say that typically those would be the two risks that we look at. In terms of our customers, I believe that, you know, we hold a very, very strong relationship with our customers and there is a lot of stickiness to the business, given that we operate with them on very niche APIs and have a long-standing relationship with them. So I would say that those two would be the typical risk that we look at.

Karan Surana: So thanks for that. So I've just looked at your gross margin also and you know, we maintain 78% to 80% gross margins for almost a decade. So it would be great, sir, if you could just share some insights on what key factors or strategies that have contributed to this consistency or maybe before the IPO you were talking about our low pricing volatility of major carbon-based and

nitrogen- based raw materials used in fermentation. So can you just give some insights on what strategies or factors are considered critical for this sustainability?

Ankur Vaid: So as we have discussed in the past that our raw materials are usually the basic raw materials which are either agro-based or are the solvents which are typically used in the downstream recovery. And we have close to 150 to 200 raw materials that are being used for different range of products that we manufacture. So there could be an impact of seasonality on the agro-based compounds or as I mentioned due to global changes, which could affect the solvents.

But then again, it may affect maybe some of the raw materials because of which there could be an impact, but it could be very, very minuscule because of it being impacting maybe one or two raw materials out of the 150 to 200 raw materials that we use. So the gross margins work in a very, very narrow band, if I would put it. And it is more about the expertise that is needed for the fermentation manufacturing, which makes the differentiation there.

Karan Surana: Got it, sir. And sir if I could just squeeze one more, looking ahead, in terms of our revenue growth for the next three years to five years, how do we see the leveraging our Limbasi facility? And if you could provide some information on our target asset return and capacity utilization, I mean, peak capacity utilization goals for this plant?

Lalit Sethi: Basically, historically, we have been growing at a CAGR of around 18% in the past for the last couple of years. In the last two years or three years, we have also built-up significant capacities with respect to the API and the formulations. And we expect to increase the capacity utilization and our growth may be better than what we have been doing in the past. So historically, we have been growing at a CAGR of around 18%, so going forward we may improve the growth per percentage.

Karan Surana: But sir, in terms of any number that we look at asset return from the capex, I was close to INR 400 crores, INR 450 crores, something like that, capex that we did on the Limbasi plant. Can we call out, what kind of asset return are we expecting from that?

Lalit Sethi: In fact, in Limbasi, we have invested around INR 400 crores of money in the capex. And with the 450-meter cube of the capacity in unit one, we are able to generate revenue of around INR 600 crores. So with an 800-meter cube of the capacity, you can begin to basically take it nearly to the level of around INR 1,500 crores, INR 1,600 crores of revenue from Limbasi facilities.

Karan Surana: And sir, what would be a peak capacity utilization? Can it go all the way to 85%, 90% or 75% 80%, I don't know?

Lalit Sethi: Around 75% to 80% will be the right capacity utilization.

Karan Surana: Okay, thank you, sir. I'll join back in the queue. Thank you for the answer.

Moderator: Thank you. We have a next question from the line of Ashish Thavkar from IIFL AMC. Please go ahead.

Ashish Thavkar: Yes, thanks for the opportunity. So Ankur, I'm firstly on this injectable capex, almost INR 200 crores of capex, we have built in now. So it is too broadly help us understand, how should we see the commercial aspect of it? Or would it be first for the Indian market and then for the ROW market? So what are your plans? And say over the next two years to three years, what potential do you see in this business?

Ankur Vaid: So, the injectable project is running on track as we had envisaged, and we expect it to be ready by the end of this year and have commercial production by the first quarter of next year. Given that, the idea would be, the plan is to kind of first take it to the domestic market because the export market is more of a medium term to a long-term strategy for us because, by next year, we take the validation batches, put it on stability, do the dozier filing and get the approval.

This is typically close to around 12 months to 18 months of time period. However, we will be going with the same integrated approach, where we have quite a few molecules, where we are the manufacturers of the API, as well as we'll be going for the forward integration to the injectables. So you do not see many companies having that kind of fully integrated approach in some of these niche anti-infectives also, which are through fermentation. But in terms of timelines, I would say that initially we would start with the domestic supplies and then going forward, they would be, being targeted towards the export market.

Ashish Thavkar: Yes, this is helpful. Sir, lastly on this, obviously our CDMO opportunity and we are now building on regulatory approvals for this product. As far as some adjacencies are concerned, say I'm just guessing probably peptides, steroids, or to that extent some animal healthcare products as well. How have you placed here; some broader color would be very helpful? Thanks.

Ankur Vaid: So CDMO is definitely an area, which is a focus to us and we now have the capacities in place, we are also building on our regulatory approvals and we have a longstanding relationship with our customers as well. So we are reaching out to customers and working with them to kind of build on the CDMO opportunity. But again, opportunities like these do take their time because customers wanting to evaluate and shift their complete manufacturing to a new site would typically be a time-consuming activity.

But this is something that we are strongly working towards. In terms of other adjacencies, definitely, we are open and looking out for opportunities, which kind of have a synergy with respect to the kind of technical capabilities that we have within the fermentation space. So we continue to explore such kind of opportunities where there could be synergies based on our fermentation expertise.

Ashish Thavkar: Yes, this is very helpful. Thank you and all the best. Thank you.

Moderator: Thank you. We have our next question from the line of Alankar Garude from Kotak. Please go ahead.

Alankar Garude: Hi, good evening, everyone. Sir, first question is, how should we look at growth opportunities for us beyond the next three years, four years? Once the Limbasi facility reaches peak utilization levels and given the fact that, we are present across pretty much all the products in the immunosuppressant space, should we look at only anti-infectives, antifungals as well as

oncology as growth drivers or there is something else, which we are open to looking at from a longer-term time frame?

Ankur Vaid: So we have quite a large number of molecules which are there in the pipeline. As I mentioned close to 8 to 10 molecules that we are currently working on and the other growth levers that are there are of course the CDMO as well as, us making more, gaining more market share for our commercial products. That being said, we are not focused on building on any therapeutic segment only or targeting any specific therapeutic segment. As long as we see that, there is, it matches our criteria that we have internally set up being complex in nature, being a fermentation product, which is complex, and having lower competition products where we can create a global leadership position.

As long as it matches these criteria, which we have internally defined, we are not therapeutic diagnostic. So we would be open to look at other molecules across different therapeutic segments as well. It just happens to be that some of the molecules that we are currently under development falls within these three therapeutic segments, which is the immuno, onco, and anti-infectors, anti-fungal. But we are not therapeutic diagnosed to these.

Alankar Garude: Understood, sir. And if I have to just elaborate on that, you talked about these 8- 10 products, but would it be fair to assume that there are many such more products which we can potentially bring in the pipeline, which would be meeting all these criteria of complex fermentation, lower competition plus opportunity for us to create that global leadership?

Ankur Vaid: Absolutely.

Alankar Garude: Understood. Sir, the second question is from 16% contribution for formulations in this quarter, how should we look at the scale up of this segment over the next few years? Do you expect the mix between API and formulations to change meaningfully, say over the next three years to five years?

Ankur Vaid: No, so I, as we pointed out that we have growth levers in place for both the API and the formulations. At the API, the new Limbasi facility which will start ramping up and at the formulation level we have ramping up of the oral solid dosage facility and the build-up of the injectable plant. So while the base will continue to grow, we expect the revenue split between the two to be somewhere around 80%- 20% as we have had in the past. So do not expect any meaningful change in the allocation between the two.

Alankar Garude: Fair enough. And one final question, if I may, is it possible to share any broad pricing as well as volume trends, at least for our top four, five products as seen in the first quarter of FY '24?

Ankur Vaid: Unfortunately, we will not be able to share product level data.

Alankar Garude: Understood, okay, thank you and all the best.

Ankur Vaid: Thank you.

Moderator: Thank you. We have a next question from the line of Huseain Bharuchwala from Carnelian Capital. Please go ahead.

Huseain Bharuchwala: Yes, sir, I just wanted to understand, what are the utilization levels for our different plants, if you can just share in regard to our Limbasi site as well as our Valthera site. So what is the percentage utilization?

Lalit Sethi: As far as the percentage of capacity utilization is been 32% in unit 3 as of 31st of March 2023 and in formulation, it is 10% and in Dholka, it is 75%.

Huseain Bharuchwala: On the API Limbasi site, how much percentage did you say, sir?

Lalit Sethi: In API, we are operating at a percentage of 75%.

Huseain Bharuchwala: Okay that's Dholka, 75% in Dholka and Limbasi?

Lalit Sethi: Limbasi 32%.

Huseain Bharuchwala: 32%, okay. Thanks. Sir, I just wanted to know, when you say 18% plus growth, do you consider CDMO as also a part considering that or CDMO will add on to your overall growth plan?

Ankur Vaid: So, since we do not have any clarity on the CDMO, we have not built that into our growth.

Huseain Bharuchwala: Got it, sir. And sir, with the Limbasi site, getting the USFDA approval? How do you see the growth prospects in terms of your US markets? So will this accelerate your growth in the US markets? How do you see that, sir?

Ankur Vaid: So definitely, this will boost our sales to the US as well. But again, this Limbasi facility is for global markets because as mentioned in the past that we are working on close to around 70%, 75% capacity utilization at unit one. So now that we have regulatory approvals in place, this new facility is going to be catering not only to the regulated markets, but for global markets including India and the rest of the world. And newer products that would also come in would also be commercialized at this new site. So it will definitely boost our US sales, but it would also be used to cater to global markets as well.

Huseain Bharuchwala: Okay, so that was only my questions. Thank you so much. Thank you.

Ankur Vaid: Thank you.

Moderator: Thank you. We have our next question from the line of Sudhir Bheda from Right Time Private Limited. Please go ahead.

Sudhir Bheda: Yes, thanks for the opportunity, sir, and congrats for the successful IPO. Just as a layman, I wanted to ask, sir, is there a shift in the chemical base -- from the chemical base API to the fermentation base API in the coming time? As it's more of a user organic kind of medicine. So what's your view on that?

Ankur Vaid: So I would say that the products which are made through chemistry cannot be made through fermentation and products which are made through fermentation cannot be made through chemistry. So, they are two very different areas of manufacturing. However, we do see more-and-more interest coming within the fermentation space because it creates significant barriers to entry because there are not many global players in this space. So there is a good growth prospect for the fermentation but it cannot be interchanged with the chemistry APIs.

Sudhir Bheda: Understood, understood. Thanks for the opportunity and all the best.

Ankur Vaid: Thank you.

Moderator: Thank you. We have a next question from the line of Karan Surana from Monarch AIF. Please go ahead.

Karan Surana: Thank you for the opportunity. Sir, in terms of our competition in the API market, you mentioned that the Limbasi facility would mostly be catering to our regulated or overseas markets. So like products like Mycophenolate Sodium could you shed some light on those products and what the competitive landscape looks like?

And how do we plan to position ourselves in case of competition from Chinese players or European players are also present in certain products that overlap our portfolio?

Ankur Vaid: So, you know, Concord holds the leadership position on several of the APIs that we manufacture. The reasons of course are that we have economies of scale, we have global regulatory approvals, strong technical expertise, and offering a basket of products. So we are the only company in the world which actually manufactures the entire range of fermentation based Immunosuppressants. So when you have these kinds of capabilities and strengths, customers look at working with companies such as ours. And that is the reason why we've been gaining market share year-on-year basis.

And when we talk about that kind of niche, highly complex products, you typically do not see much competition coming from China. As a matter of fact, that we are commercially, we have now got approvals in China to sell our products, our APIs, which shows that, and customers are also showing interest in terms of partnering with us for the API, which kind of shows the kind of advantages and the kind of strength that we have on the API, even with respect to some of the Chinese players.

And when we talk about the European counterparts, European competition, people now are talking more about the China Plus One and Europe Plus One strategy because of what is happening at the global footprint with the Russia-Ukraine war, the power costs and other things and the salaries have gone up quite significantly in Europe. And they are looking at alternate sources which are more reliable and can consistently provide them with these kinds of products.

So, I think we see a lot of companies shutting down in Europe also and other parts of the world. So, we see a lot of consolidation happening in the fermentation API space.

Karan Surana: Thanks, thanks for the answer. So just last one from my end, so in exports, we did 46%, I think in Q1 FY '24. Can you just bifurcate into what could be from US, Japan, or Europe, like regulated markets and what could be a share from non-regulated markets?

Lalit Sethi: So basically around 17% of the revenue in the export, or in the total revenue comes from the US market and the balance comes from the rest of the world.

Karan Surana: Okay, thank you, thanks, that is it from me. Thank you.

Moderator: Thank you. We have a next question from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: Yes, thanks for the opportunity. Sir, just on the strategy aspect with respect to into formulation, given that we have leading market share in the API, any which case at a global level. So, and as we get into formulation, so there will be more of the cannibalization or let's say more internal consumption of the API for formulation. So will that have an impact on the API growth? That is first.

And secondly, given that we also now get into formulators, so does that impact the customer's way of looking at us from the point of view of API procurement? These two questions.

Ankur Vaid: So, we have been in the formulation business now close to more than four years to five years. And as long as we are supporting our customers with the high-quality products at the right price and ensuring consistent supplies and deliveries to them, they do not see any challenge there because every company understands the strengths that one has. So as long as we continue to support our customers, they don't see that as a challenge. We have not encountered any such challenges from our formulation partners over the last five years to seven years since we've been there in the formulation market.

In terms of cannibalization, we are not looking at disturbing the market and we are looking at value creation and opportunities within the formulation space. And that is why while we are backwardly integrated, we would look at opportunities where we can be there in the market but at the same time maintain healthy margins for us rather than going all in and destroying the value for ourselves as well as for our customers.

Tushar Manudhane: Okay, sir. And just lastly, how much would be the operational cost for the formulation facility, on the annualized basis?

Lalit Sethi: On an annualized basis it is around INR 35 crores.

Tushar Manudhane: Okay, sir. Thank you.

Moderator: Thank you. We have our next question from the line of Chintan Sheth from Girik Capital. Please go ahead.

Chintan Sheth: Yes, thank you for the follow-up. Just one question on the Limbasi facility. We got the US FDA approval, right, so I assume that we have not yet started supplying to the regulated market from

that new facility and largely catering to the other markets. Does that facility already got the approvals from Japanese and European regulators, or is it still work-in-process?

Ankur Vaid: Yes, so we have Japanese FDA approval also for the Limbasi facility. So both Japan and Europe approvals are there for the Limbasi. EU inspection, we currently do not have, but going forward that could be something that we may consider. In terms of the regulatory approvals, we have had a very good long-standing approvals from the authorities. And of course, this is something that we would continue to build on, even so for our Limbasi facility.

Chintan Sheth: Right. And given that this facility is currently underutilized, right? What kind of annualized cost, as you mentioned about the formulation facility, what are the annual opex there, given that we are just utilizing 35% of that facility and so there will be operating leverage we might see as the ramp-up happens?

Lalit Sethi: Basically, we are maintaining or making the books on the consolidated level. It will be difficult to find out on the unit wise operating cost.

Chintan Sheth: Okay, sure. And the capex guidance for this year and next?

Lalit Sethi: Most of the capex has already been done as far as the growth capex was concerned. Now it's only the operational capex which will be required to be done in the future.

Chintan Sheth: It will be INR 20 crores, INR 25 crores?

Lalit Sethi: It will be in the range of around INR 15 crores to INR 20 crores of per annum.

Chintan Sheth: Okay. And injectables we already spend or this year there will be some cost capitalization?

Lalit Sethi: Yes, very little amount is required to be spent to complete the project. Majority of the amount has been spent. And yes.

Chintan Sheth: Sure, thank you. Thank you.

Moderator: Thank you. We'll take a last question from the line of Huseain Bharuchwala from Carnelian Capital. Please go ahead.

Huseain Bharuchwala: Just one question. I just wanted to understand on the pricing front in the export market. So how is the pricing in the US compared to other markets? Is the pricing better when it comes to US compared to the other regulated and the ROW markets? So how -- can you just give some clarity on the pricing?

Ankur Vaid: So you know, the prices are more or less quite similar to what you would have across the globe because, while we see limited competition on our molecules, we still are not in a monopolistic market. So when formulation companies are looking at potential suppliers. They kind of evaluate new suppliers based on which is going to supply, and give the best price. So we also have many Indian companies which are targeting the US market and they have a good amount of clarity on what the prices are there in the global markets, including in India being offered by some other

manufacturers. So I would say that there is not much of a difference between what the price you offer to Indian versus that to the US.

Huseain Bharuchwala: Got it. That was the only question I have, thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to management for closing comments. Over to you, sir.

Ankur Vaid: So thank you everyone for joining our maiden Earnings Call today. And we hope that you've been able to address all your queries. For any further information, please get in touch with us or SGA, who are our investor relation advisors. So thank you once again and have a good evening.

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