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November 21, 2024

To
Listing / Compliance Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 001

To
Listing / Compliance Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex
Bandra (E), Mumbai – 400 051

BSE CODE: 543329

NSE SYMBOL: WINDLAS

Dear Sir/ Madam,

Subject: Q2 FY25 Earnings Conference Call Transcript

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith Q2 FY25 Earnings Conference Call Transcript.

You are requested to take the same on record.

Thanking you,

Yours faithfully,

For Windlas Biotech Limited

ANANTA NARAYAN PANDA

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2024.11.21
18:23:30 +05'30'

Ananta Narayan Panda
Company Secretary & Compliance Officer

Encl: As above

"Windlas Biotech Limited Q2 FY25 Earnings Conference Call"

November 13, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 13th November 2024 will prevail.

MANAGEMENT: MR. HITESH WINDLASS – MANAGING DIRECTOR
MS. KOMAL GUPTA – CHIEF EXECUTIVE OFFICER & CHIEF FINANCIAL OFFICER

Moderator: Ladies and gentlemen, good day, and welcome to the Windlas Biotech Limited Q2 FY25 Earnings Conference Call.

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 risks and uncertainties that are difficult to predict.

As a reminder, all participants' lines will be in the listen-only mode and there'll 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 "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

Today on the call, we have Mr. Hitesh Windlass – Managing Director; Ms. Komal Gupta – CEO and CFO. I now hand the conference over to Mr. Hitesh Windlass. Thank you and over to you, sir.

Hitesh Windlass: Thank you, Michael. Good afternoon everyone and thank you for joining us today for our Financial Results for the quarter and half year ended 30th September 2024.

We have uploaded the "Press Release" and "Investor Presentation" on our website as well as on the exchanges. I hope that everybody must have gotten an opportunity to go through it.

Initially, I would like to discuss the outlook and way forward for Windlas Biotech followed by financial highlights for Q2 and H1 FY25 of the Company which will be shared by our CEO and CFO, Ms. Komal Gupta.

The Indian pharmaceutical market reported a YoY growth of 8% in Q2 of FY25 with only a modest volume increase of 0.4%. Despite low volume industry growth, we are pleased to reveal another strong quarter of financial performance achieving a revenue growth of 22% in Q2 FY25 as well as in H1 FY25. This outperformance was fueled by strong momentum in our trade generics and institutional vertical alongside a steady contribution from our CDMO vertical. We remain optimistic about the growth prospects in our generic formulations CDMO vertical as pharmaceutical companies continue to shift business to reliable high quality manufacturing partners. Providing Accessible, Affordable and Authentic medication to the semi-urban and rural markets in India continues to be our focus in the trade generics and institutional vertical. Schemes like Ayushman Bharat and Jan Aushadhi continue to strengthen the acceleration of institutional sales.

For export verticals, we continue to explore more new markets to meet the growing global demand for affordable generics. We are on track for capacity expansion of Plant-2. As updated earlier, the shortlisted Brownfield facility in Selaqui, Dehradun has been acquired to meet our capacity expansion needs. Once operational, this will become our Plant-6. Revenue generation from injectable facility is expected to commence from Q3 FY25 as production batches complete their required stability testing. The Company has paid a dividend of Rs. 5.5 per share amounting to Rs. 11.5 crore for FY24 in October 2024. The EPS rose to 13.97 in H1 FY25 and Rs. 7.49 in Q2 of FY25, registering a YoY growth of 11%.

I will now request Ms. Komal Gupta – our CEO and CFO to discuss the financial performance highlights. Over to you Komal.

Komal Gupta: Thank you, Hitesh. Good afternoon everyone.

Our highest ever quarterly revenue streak holds steady for the seventh quarter. Windlas Biotech remains focused on expanding our outreach, driving efficiencies and delivering high quality pharmaceutical products to meet the evolving needs of our customers and patients.

In generic formulation CDMO vertical, we have improved our customer engagement and service levels. In H1 FY25, this vertical generated revenue of Rs. 272.2 crores showing a 19% YoY growth and for Q2 FY25 revenue in this vertical reached Rs. 136.3 crores reflecting a 16% increase compared to last year. Trade generics and institutional vertical continues to be propelled by widening of product portfolio as well as expansion of distribution network. By adding more institutions and launching new products, we have extended our reach significantly positioning us well for the continued growth. In H1 FY25, this vertical achieved revenue of Rs.77 crores, an increase of 30% YoY. For Q2 FY25, we clocked revenue of Rs. 41.9 crores, reflecting a 48% growth YoY.

Our exports vertical reported revenue of Rs. 12.9 crores in H1 FY25, a 26% increase YoY with Q2 FY25 showing a revenue of Rs. 8.8 crores reflecting 35% growth YoY. Our injectable facility is yet to contribute revenue even though its OPEX and depreciation are included in H1 financials. In H1 FY25, WBL revenue stood at Rs. 362 crores reflecting a 22% YoY growth. EBITDA saw a rise of 23% YoY reaching Rs. 44 crores. PAT came in at Rs. 29 crores, reflecting a 12% YoY rise. For Q2 FY25, the Company's revenue reached Rs. 187 crores reflecting a 22% YoY growth. EBITDA stood at Rs. 23 crores, up by 23% YoY and PAT was Rs. 16 crores registering a 12% YoY increase. As on 30th September, the Company's liquidity position is at Rs. 200 crores despite CAPEX of Rs. 48 crores in H1 FY25. We are excited about the substantial growth opportunities in our space and are dedicated to maintaining growth momentum across all our business verticals.

That's all from our side. We can now begin the Q&A session. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. We have the first question from the line of Rishi Kothari from Pi Square Investments. Please go ahead.

Rishi Kothari: There was some specific question as to, of course, the performance was very good, and kudos to that. But in terms of depreciation, we had Ms. Komal mentioned that it was due to increase in the depreciation from the injectable business, but we are expecting revenue from Q3. But in terms of the target that we have that around Rs. 950 crores to Rs. 1000 crores of topline. So, we still hold to that in terms of revenue for FY25?

Komal Gupta: Rishi, sorry we missed the last portion, last two sentences we missed. We heard that until injectables, OPEX and depreciation is included. After that what did you say?

Rishi Kothari: In terms of the revenue groups, the targets for this particular year, we still hold around Rs. 900 to Rs. 1000 crores target that we have?

Hitesh Windlass: Revenue growth target. I think you are asking about revenue growth target, Rishi, right? Yes, so Rishi unfortunately we are not giving any guidance, but what we can say is that last seven quarters if you see, we have done very strong growth despite very lukewarm IPM volume growth. So, Indian pharma market volume growth has been very low and that's the only benchmark available in the industry. But still we have done very strong performance. And we believe that there is no structural change. We don't see any structural challenges in the upcoming future. So, instead of giving a target, we just want to say that we are very confident when we are pursuing with all our momentum.

Rishi Kothari: Okay, in terms of the PAT level margin, this quarter of course this go around 8.4% to 8.5% and in general we have around 9.3% of PAT level down margin, so we still will be sustainable eventually at the revenue from injectable front?

Komal Gupta: So, mainly in PAT what we do Rishi is we follow a WDV method of depreciation, so that's why initially the depreciation levels are going to be high for injectables. So, if you see in absolute number, the depreciation change, the broad portion of it is actually injectable depreciation itself. So, on a quarterly basis, an increase in depreciation expense that you must be noting more or less the 95% of it is actually coming from depreciation for injectables. So, that is not a cash hit as such, but initial few years the depreciation levels are going to be high like that.

Rishi Kothari: 95% right at this moment coming from injectables?

Komal Gupta: Yes.

Hitesh Windlass: 95% of the increase.

Rishi Kothari: And in terms of the interest cost if we see, of course, because of the lower base, we know that, but it has been drastically increased from Rs. 30 lakhs to one point something crore. So, any specific reason do we, because of what exactly we have taken that?

Komal Gupta: What we actually do is we follow a discipline for interim requirements. We use our CC line instead of taking out the money that is lying in bank. So, that is why finance cost is being borne. However, rest assured, the income that we have earned which is part of other income on the money kept in investments is similar to the interest cost that we are bearing. So, that's why as such there is no profitability impact because of that I would say, but there is a discipline that we want to follow not to take out too much of money and so the increase is also the impact basically of the CAPEX amount that we have spent, so the outflow of relating to CAPEX for Selaqui land that we have purchased for Plant-6 as Hitesh was mentioning, about Rs. 13 crores was spent for that and the money spent for Plant-2 extension that we are working on the overall CAPEX cash amount was about Rs. 48 crores for both of these, and the cash outflow out of these was Rs. 38 crores. So, this outflow was taken care of from cash generated from our operations, the profits that we made. And for the interim working capital requirements, we have used our CC limits. So, that is why you see the increase in finance cost.

Rishi Kothari: And in terms of the employee benefit increase, the last quarter I know that we mentioned it in Uttarakhand that recently there are some regulation changes that have happened. So, is this a new normal that we should consider in terms of the employee benefit increase?

Komal Gupta: Yes, so this includes of course the injectables personal cost increase and the manpower, the minimum wages increase of 25% that is part of this. You are right in addition to the increments and production related increase. So, this should be a good base for you to consider. Other than if there is too much of production, there is contractual manpower related some variable portion that keeps on getting added or reduced.

Rishi Kothari: And brownfield project that we are funding in terms of the Plant-6 that we will eventually set up. So, what exactly products are in terms of segment we are looking at to suit that plant?

Hitesh Windlass: So, Plant-6, which is we have acquired the land building there and we are going to now build oral solids capacity over there because that is the core business and while we have expanded Plant 2 extension, we needed an additional site to be able to receive the growth and the business that we have. So, it is for the core area of oral solids only.

Rishi Kothari: Okay, both of the expansion are based on oral solid?

Hitesh Windlass: Yes.

Moderator: Thank you. We have the next question from line of Ankit Gupta from Bamboo Capital, please go ahead.

Ankit Gupta: So, my question was on the capacity expansion both on after the Plant-6, the brownfield capacity that we have acquired, like how much cost have we spent for acquiring it and any cost that will be incurred to refurbish the existing facility?

Komal Gupta: There is about Rs. 17 crores cost that has been incurred for acquiring this facility. And we are working on the CAPEX that will need to be spent on this for having the capacities built in. So, we are working on that. We expect maybe by next quarter, we should be able to come back on the estimated CAPEX.

Ankit Gupta: Sure, and Plant-2 expansion that we'll be doing. So, how much are we planning to spend on that?

Komal Gupta: Plant-2 expansion, about there's already about Rs. 26 cores spent, we about Rs. 33- 34 crores kind of a CAPEX is going to be incurred for Plant-2 expansion, total.

Ankit Gupta: Okay, the total of Plant-2 plus the new brownfield that we have acquired or just Plant-2, Rs. 30 crores?

Komal Gupta: Just Plant-2 expansion about Rs. 33 crores in addition, so out of Rs. 33 crores, Rs. 26 crores already incurred by September end and Selaqui so the Plant-6 related 16.5 CAPEX already incurred, cash flow a little lower than that in addition to that. So, up to September, this is accounted for about Rs. 40 odd crores. Now we are going to work on bringing Plant-6 to a usable state for that the amount of CAPEX required will come back.

Ankit Gupta: So, when are these plants expected to commence operation? Any timelines for that? Plant-2 and Plant-6?

Komal Gupta: Plant-2 expansion, honestly we used a few machines acquired for Plant-2 expansion in Q2, some portion of it adding them in the existing plant. Q3, it should be fully operational. So, we would be completely able to make use of it for Plant-2 expansion. And for Plant-6, we have acquired the facility now, we have to work. Expected timeline that we are keeping is...

Hitesh Windlass: So, there will be refurbishment and then validation. So, maybe roughly around Q1 or Q2, that's where we will end up. Also, if you note that on our presentation, we have already updated the capacity numbers for the Plant-2 extension to some extent so that.

Komal Gupta: Actually, if you see the numbers of our revenue, you can see that some portion of capacity has already been added if you multiply by 4, that is already giving us a good capacity.

Ankit Gupta: Once this new Plant-6 also comes into operations, can we like what kind of topline can we achieve at optimal capacity utilization?

Komal Gupta: As we had mentioned earlier, we want to build both. So, we started working on expansion and the new facility with a purpose in mind that we want to be able to deliver revenue of about Rs. 1000 crores with these two additions. That is what we.

Ankit Gupta: Yes, and my second question was on the margins front, the injectable facility also commencing operations from Q3 and we are around 12.5% kind of margins we reported last year, and even this quarter we have reported around that. So, hopefully we should see our journey towards 14%-15% kind of margins over the next few quarters or next few years once this injectable starts contributing to our revenue and of course with your scale of operations also increasing?

Komal Gupta: Yes, of course the margin growth has to come in. At what point it does, it will be difficult for us to mention, but yes, we expect 2%-3% EBITDA growth in our margins.

Ankit Gupta: On injectable front, we would already be talking to our customers. And it's a facility, I think, at optimal capacity. I think we can do around 60 - 70 crore, that kind of run rate from this facility. Do you think we might also go for expansion of this facility maybe somewhere in next year? Let's say if not first half, then second half.

Komal Gupta: Right now it's very difficult to mention that because we don't know injectable revenue numbers honestly. At what point we reach the peak capacity, it's difficult to mention. Once we reach peak and we see business avenue, surely we would go for expansion as we had mentioned earlier that the space is already there, so we would surely go for it once we reach the peak capacities, but we would not rush it until we reach the peak here.

Ankit Gupta: Komal, by end of this year, given our cash flows, and even with this modest CAPEX requirement, we will still be left with more than Rs. 220 crore kind of liquid in our hand. So, any plans of how are you guys seeing, how do you want to deploy this cash? What are the plans for deployment because the capacity expansion thing, we did a small acquisition also that also will be taken care of existing cash flows only. And like this, the cash that we have in hand will keep on piling up. So, what are your thoughts on deploying this cash that we have?

Komal Gupta: We have been looking for the acquisition possibilities. So, we are very interested to look at a dosage form expansion for all three verticals, any dosage form addition, a good facility, if we are able to get. We have the cash ready. In fact, the cash that we have is not even a limiting factor. We have a good debt taking capability as well. So, we are ready for a bigger acquisition as well, but we don't want to rush it, we don't want to be too desperate. If we see issues, we back off. The issues that we don't feel very comfortable with. That is one. However, once, you know, by the time our injectable business is completely set, if we do not see a good fit in market, we would ourselves pick up a dosage form and build something on our own. It's just that we didn't want to do it too much on our own at the same time. So, we would wait until injectables really becomes a normal part of the business. By then either acquisition, if acquisition doesn't come through, then we would decide on which dosage form we want to build our own facility. That's the plan.

Moderator: We have the next question from the line of Abhishek Singhal from Perpetuity. Please go ahead.

Abhishek Singhal: I just wanted to get some sense around what is your initial feedback. It's been around two quarters, your injectable facility is now on board and we have costs online. So, what's the feedback from customers? Are you happy with the feedback you're getting? Like what you would have anticipated early on the years to fill the facility, you feel confident to be earlier than that? So, some color around that will be really helpful.

Hitesh Windlass: Sure Abhishekji. We have got very, very good and very strong positive reviews from customer audits that have happened. And we have already purchased orders against which we are manufacturing just because we cannot sell before the stability data is finished. Basically, those manufactured batches are being kept as finished goods. So, that's why we say that in Q3 the revenues will start to come as product by product, each product stability data is completed. So, very strong good feedback, very encouraged, of course the larger customers and the larger accounts will still take their own process right to approve a facility and to come in. So, it's a mix of from a timeline perspective, it is very much where we expected it to be. Obviously, we are not satisfied and we are always wanting to accelerate. So, that process is on.

Abhishek Singhal: One of the largest peers which got recently listed, tainted a very bleak outlook for the industry per se, that there is some slowdown in the industry and that there are some challenges and possibly they are ahead in the game as far as the peers. And peers will see the pressure in the second half. Could you add some color as to how do you see the industry panning out? Are you seeing early signs of fatigue there for you guys? And specifically this question is more towards the CDMO side of the business or the CMO side of the business, whether the current growth rate that you're seeing, you find it sustainable, at least in the near term or even from a longer term view, if you can provide some color?

Hitesh Windlass: Abhishekji first, as you know, the growth will differ based on how sizeable a current player is. Among the listed players in our space, we are the smallest. So, we feel very optimistic in terms of what we are seeing and that's why you will see that despite the IPM volume growth being small, we have been observing this in the last 6-7 quarters now that our growth is still going strong. Unfortunately, I believe that IPM doesn't cover some parts of the market like trade generics, like some part of institutional, like others. So, very hard to comment what they might be seeing and what we don't see any structural challenges, we don't see anything changing. We want to continue to strongly perform and that's where we stand today.

Abhishek Singhal: On the dosage form that in the previous question, you all mentioned about open to acquiring different dosage from or like getting into it. Injectables was definitely a space. Is there any specific category that is of prime interest in your mind which you guys are actively looking at or if you can provide some sense around that?

Hitesh Windlass: Sure. We have actually the investment bankers that we have asked us to show different assets for inorganic. Our brief has been to look at like ointments, one area that we want to grow in. Another area is soft gel. So, we have hard gel capsules, currently we don't have soft gel, so that's another area. Our third area has been protein powders and nutraceutical kind of dosage forms and hormones. That's another, very few players have hormone production capacity. So, these have been the briefs that we have given and so our main thesis is this that each of these expansions should help all of our three verticals. So, we should be able to use it for CDMO, we should be able to use it for exports, we should be able to use it for our own trade generics and that's how we believe that the synergies will come through.

Abhishek Singhal: And any luck on the dossier acquisition for exports market because that could also help trigger your potential inspection either on the injectable side or something from the regulated market side, not US but at least the EUGMP or the PIC/S compliance. Is there any thought process around that?

Hitesh Windlass: Yes, so we had updated Abhishekji in the last call that we have acquired a few dossiers. And now that process of transfer is ongoing. So, as we get success, we will definitely come back and update.

Abhishek Singhal: And one last question if I may ask. So, like the first half, we've seen the entire cost come through for the injectable plant, both below the EBITDA and depreciation front and also on the OPEX side and zero revenues, right? So, which quarter, I know you start in Q3, but do you think by Q4 of this year or likely by Q1 of FY26, at least the drag that we have seen because of the new plant, that goes off and we start seeing operating leverage play out at least incrementally slowly, which quarter should we be looking at on that?

Hitesh Windlass: So, Abhishekji, I will request that we evaluate the injectable business at the end of the financial year because see there is the OPEX as we increase capacity and production, the OPEX also rises. There is a variation based on the outside temperatures in terms of how much cooling power consumption is there. So, a lot of variations to look at on a quarterly basis. I request that we have this conversation at the end of the year. Of course, we are totally committed in driving to bring in the operating leverage sooner rather than later. So, I'll request to defer this answer.

Moderator: Thank you. We have the next question from the line of Rohan Vora from Envision Capital, please go ahead.

Rohan Vora: So, first question was on the trade generics business. So, we see that we've reached Rs. 40 crores quarter run rate this time. And so the question was, is this a new normal? How does one look at it? I understand that there'll be lumpiness given the nature of the business. And what would you attribute this growth to? The expansion on the centers that you are doing, the channel that you're adding, the feet on the street that you're adding. So, just a color on what is being done right for this business and how do we expect this to grow going forward? Thank you. This is the first question.

Komal Gupta: If you see for Q1, the number and the growth percent was a little lower and our investors were asking us if this is the new norm. And we said that let us not look at it quarter basis. We have to look at it a little more. So, maybe you can look at H1, but again, is H1 a new norm? Very difficult to say. We are seeing good, positive things going on that we have seen it. What is exactly going good? We have been internally; I would right now say that this is more driven internally. External market opportunity is anyway huge, right? That we have been saying, the government efforts also and the huge opportunity that stays. So, that is there. Internally what things we are doing good is we are working on geographical expansion. We are working on increasing the number of stockists. Our product portfolio we have been increasing. And we keep looking for the areas of growth we have been increasing our business development team as well. So, we are working on all those factors. Sometimes, as you rightly said, the nature of business stays a little lumpy. And that's why quarter-on-quarter variations might be there but we are seeing this vertical delivering a good momentum and growth.

Rohan Vora: Understood. And just the number of stockists you had around 996 in FY24. So, just a ballpark number on what is the kind of number we've added in the 6 to 7 months that have gone by?

Komal Gupta: Actually number of stockists is lesser important number in our view than the active stockists because out of this 996 also, may be a few might have become less active and there might be 200 more that have been added which are way more active. I think yes, so that's how we have to look at it. At the year end, we will be sharing the exact number as well. Honestly, what we see growth is of course, the distributor of stockists that got added in last three, four quarters, now must have started giving the results a bit. So, that the same principle that we apply for CDMO customers applies here as well for stockists.

Rohan Vora: Understood. And just color on the API price erosion and how you are seeing that play out in a overall industrial level. So, this is the second question, thank you.

Komal Gupta: Most of our business, especially CDMO is open cost sheet business. So, that's why a little bit impact might be there on the revenue number, but we don't see much of an impact on our margin numbers there. And API hit has already been there and you have seen our revenue numbers. So, in fact going forward, everyone is expecting that to stabilize right. So, we don't see our business being affected a lot.

Rohan Vora: Okay, and are you also of the same view that the API price erosion more or less will stabilize going forward?

Hitesh Windlass: Yes, we don't see, as it is, we are mostly domestically sourced. So, to the extent that there could be some N minus 1 level of changes to intermediates and that might affect API industry for domestic market in India, maybe possible, very hard to predict. But because we are not too much dependent on exports, we really don't see much of an issue. After the COVID period, a lot of domestic API manufacturers have stepped in, which is leading to some price erosion also. But we feel that this is now getting to a more or less stable regime.

Moderator: Thank you. We have the next question from the line of Nitin Agarwal from DAM Capital, please go ahead.

Nitin Agarwal: Komal, two questions. One is a) on your CAPEX, what CAPEX should be assumed for the next, for 25 - 26?

Komal Gupta: So, for 25-26 other than the maintenance CAPEX whatever portion of Plant-6 is there which as I mentioned, we would be coming back by next quarter call, we don't see any other big CAPEX requirement in FY26. So, maintenance CAPEX of Rs. 10- Rs. 15 crores that is generally there that stays.

Nitin Agarwal: Any other expansions, means how much should we expect for the year in 25 for example for the full year?

Komal Gupta: For FY25 as I was saying, in H1 Rs. 48 crores spent right. Annual maintenance CAPEX, you can consider of about Rs. 5 crores already spent,(Rs. 5,to Rs. 7 crores more). So,47 plus 5 = 52 (all figures to be read as Rs. crores) plus whatever portion of Plant-6 we spent in FY25 would be my FY25 CAPEX.

Hitesh Windlass: I am unable to give you a very clear answer on this because we are still scoping what the layout will be, what will be the whole cost over there.

Nitin Agarwal: And just a link part with after the Unit 6 comes on stream and without that, what is the maximum revenue that you think the network can generate on the oral side at this point of time?

Komal Gupta: Nitin, we are pitching for Rs. 1000 crores revenue with these two, Plant-2 expansion plus Plant-6. We should be able to deliver revenue of Rs. 1000 crores.

Nitin Agarwal: That takes you where, I mean given the current run rate, that probably suffices you for another couple of years. At what stage do you need to start to plan beyond unit six?

Hitesh Windlass: So, the question is about, I think that the way we look at it, and this is an industry general rule also, typically Nitin, when you reach a plant utilization of about 50%-55%, that's when you start building a new facility. And the way we think of building new facilities is to build for next 2 - 3 years, not for next 6 years, right? Because then if you build a very large facility planning for next 6 years, then your CAPEX and your OPEX also becomes in that same way. So, I think that when we reach, and it could be earlier or later, whenever, right? Whenever we reach about 45% - 50% capacity utilization of Plant-6 and Plant-2 extension, that's when we would think of adding another site.

Nitin Agarwal: And last thing Hitesh, there is a lot of new product pipeline which is rather patents getting expired in the domestic market over the next couple of years, especially in diabetes. So, particularly on GLP-1, we don't have the capacity capabilities to handle GLP-1 manufacturing, right?

Hitesh Windlass: Yes, currently we don't. Most of the GLP-1s, some of them are very, very complex products. But we are working with some developmental labs who can help us, but it's still out there. It's not very sure whether we will be successful. But regarding the GLP-1s because it's a very complex space, yes, we do not have currently the capability to do it in house.

Nitin Agarwal: And x of GLP-1, how is the new product pipeline over the next few quarters?

Hitesh Windlass: Very strong. Actually we continue to do, although the R&D expenditure may look lesser compared to last year, but that is primarily because of the periodic nature of the expense which project has the clinical trial coming at what point in time or stability batches and so on. So, there is no change in terms of our portfolio planning or the richness of the pipeline or the kind of opportunity we are trying to look at in our key therapeutic areas of focus. So, that remains as is, Nitin.

Moderator: Thank you. We have the next question from the line of Nishant Shah from Moneybee Investors, please go ahead.

Nishant Shah: Just wanted to understand one thing. You said that the volumes have kind of stagnated in the industry. So, for Windlas, what has led to the growth? What has ideally led to the growth in the last seven quarters, firstly? And are we seeing any price hikes in any particular therapeutic area which has led to the growth? I understand we are growing by entering into new geographies as well as having new dockets but are we seeing any price hikes? I believe cardiovascular, the therapeutic area could be one place where we are seeing price hikes.

Hitesh Windlass: So, maybe see from our perspective, as I mentioned earlier, the stagnation in the overall volume growth of Indian pharma market, I believe is little bit of a unfair number because the AIOCD data that reports it or IQVIA data that reports it does not include large portion of the market which is the trade generics market. So, that could be one of the reasons where volume growth still is happening and we don't know it just because the data agencies are not counting it. Other than that, I still feel that and I would reiterate that we are at a size which is much smaller among the listed players. We are the smallest right. So, I don't think that there is a structural limitation in terms of where this growth should max out or something like that. We believe that the Schedule M is leading to clients making better decisions about where they should source from. And there are more than 12,000 to 13,000 CMOs as per the market research that was published some while back. So, there's a huge opportunity even for this upward movement where organized players should benefit. And I believe that also has some role to play. And finally, this is an execution story. Really everything depends on how we gear ourselves, how our business development teams, operations teams, supply chain teams, how all of that gears up. And that takes a long time to set up and execute. And we have been working on it for the last 2 years. And so I'm pretty sure that those efforts have also a very big role to play in getting us the growth. And at least from where we stand, I don't see anything changing. But the future's anybody's guess.

Nishant Shah: Right, just a follow up question. Are we seeing good traction in the trade generics because I believe a lot of doctors now have started giving or recommending. Suppose a particular patient goes to a doctor, they would probably not recommend it, but they would be very neutral about a patient using a trade generic. So, are we seeing good traction in this space moving forward? Because I still believe there's a stigma around trade generics. People prefer using branded generics over trade generics?

Hitesh Windlass: So, see you can definitely see the impact in our own trade generics vertical. So, we have been steadily growing very strongly. At the same time whatever our customers, they are CDMO customers, they may be selling their brand as a branded generic or as a trade generic, but we capture that revenue in our CDMO only, right and we don't have any way of knowing how they are selling in the market whether they are doing it as a branded generic or as a trade generic. So, very difficult to comment on what you're saying. As a general aspect, yes, it should be have making an impact, but very difficult to comment quantitatively.

Komal Gupta: But yes, we are seeing a very positive response and a good traction in TGx.

Moderator: Thank you. We have the next question from the line of Miten Lathia from Fractal Capital Investments. Please go ahead.

Miten Lathia: Congratulations, Hitesh ji and Komal on industry-leading performance. Just had one question around the injectable revenues. So, we'd earlier sort of suggested that towards the end of fiscal 25 is when we should be able to utilize our injectable facility. Do you see any reason to change that, where things have progressed till now? Yes, that's my first question.

Hitesh Windlass: So, first of all, thank you, Miten ji. We are currently utilizing the facility and the facility is producing commercial batches. Those batches are essentially being stored in the finished goods store because they cannot be sold until the first batch completes three months of stability testing. And this is applicable for each product, right? So, the utilization of facility has already started, right. The question is what will be our ability to revenue, how much will it be within FY25 and then going forward and for that is something that we have said that let's look at it at the end of the year where we stand from in terms of the injectable revenue that would be the most honest right way of looking at it.

Komal Gupta: Also net-net, Miten, no change in what we have been saying. We are not changing any statement. What we said, it holds true. In fact, there will be a small portion of revenue in Q3 as well. And Q4, there will be revenue. How much? We would discuss that after the year is complete.

Miten Lathia: And have we sort of quantified the impact of the operating cost on that injectable facility? At the EBITDA level, at the operating cost level, have we quantified what the injectable facility would have added?

Hitesh Windlass: Yes, absolutely, Miten. We have complete visibility and clarity around it. Just so that we are a cost plus business in CDMO. So, disclosing dosage form wise OPEX is a competitive issue. So, we don't want to discuss those sort of things. But yes, obviously, we are completely on top of it and we are fully aware what that impact on our own margins will be.

Miten Lathia: So, what I was asking is that given that the mix of the business has changed favorably on a YoY basis and yet our EBITDA margin is flattish, would it be alright to say that but for the injectable facility the margins would have been higher on a YoY basis?

Hitesh Windlass: Yes, absolutely, that's why in my opening speech I mentioned that the cost has come in, but the revenue has not.

Moderator: Thank you. We have the next question from Ashish Khurana from **Mayank Capital**. Please go ahead.

Ashish Khurana: I am a bit new to the business. So, the couple of questions I have are a bit direction in nature. So, please ignore any naivety that you might find in them. Firstly, on the strategic balance between trade generics and the CDMO business, just wanted your view? For example, if a new capacity comes up, so we have these two lines, and they have their own advantages. CDMO businesses have probably more stable clients and all. While the trade-generic business would give us better margins from what I gathered from previous calls and probably an opportunity to build in brand. So, if we have to say, allocate capacity or resources, if at all we reach such a point, so how do we decide basis our strategic priorities?

Komal Gupta: We do not say no to any business. We grow in all verticals as much as possible. That's the strategy honestly speaking. Because as you rightly mentioned, all the verticals that we have, have their pros and cons. There are things that we have to be conscious of and there are things that really benefit us well. So, how we look at it is we want to have capacities to cater to any requirements and more and deliver as much growth as possible. That's how we look at all the three business verticals honestly.

Ashish Khurana: So, basically what you're saying is that the trade-generic business is not constrained by capacity or resources. It is growing as it should grow basis our channel strength and the overall demand, right?

Komal Gupta: Yes, that's right because there is also some internal discipline that we have maintained in terms of the credit period that we allow for the new stockist added and the invoicing holds that have to happen in case of delay in collections etc. So, aside of that, there are no constraints in terms of growth. So, capacity surely not the constraint.

Ashish Khurana: Noted. Second, on the schedule M implementation. So, there is some uncertainty in the industry as to you know, whether that first week of Jan deadline would be adhered to. So, probably you won't be able to comment on that. But from your clients in the CDMO business, you sense that there is an intent now irrespective of whether that deadline stays or is postponed. Is there an intent to move towards bigger players from the smaller players? And is there a sense that this is the lay of the land going forward? If not now, then at some point in future that schedule M revise curriculum would be implemented, and it is better to shift to bigger players?

Hitesh Windlass: Yes, see even about 2.5 years-3 years ago, when we got listed, if you see our presentation, we were already predicting this the schedule M was going to be passed. And we were categorically stating that there will be an impact in a fragmented industry, regulatory and quality pressure will lead towards more organized players. And our job and focus has been to improve quality, to create capacity ahead of time and to ensure that we are able to receive the opportunity in terms of our outreach, in terms of our product portfolio and all of that. And we believe that this is a structural change and it will continue. I do not see any reason why there could be any movement back towards poor quality acceptance or things like that.

Moderator: Thank you. We have the next question from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: So, my first question was, one of our larger peers is setting up a huge capacity in Jammu within capital outlay of around Rs. 450 crore. So, from a competition perspective, how do you see some of your peers putting up such large capacity and how does it impact a relatively smaller player like us in terms of getting new projects and products from our customers, does it impact that you might have to lower margins if they want to bid a bit aggressively for some of the new products?

Hitesh Windlass: So, Ankitji, I will answer that in two ways. The first is that, whatever we understand, the capacities that are being put in Jammu by this player are of dosage forms and products that we do not play in. So, we are not present in injectable antibiotics, cephalosporins, penums or any of those and so one is the clear separation of dosage forms. But second which is a more important point, right. I think the space if you see is moving towards more organized players and there are 13,000 contract manufacturers in India. Does India need 13,000 players? I don't think so. No other country in the world has this kind of a fragmented contract manufacturing industry in pharma. So, my sense is that there is ample room for all large players and even other large players to emerge. It really depends on your capabilities, your access to capital and having a disciplined approach to building the product portfolios and executing. So, my sense is that there is ample room to grow.

Ankit Gupta: Second question was on the trade generics. We have seen a very healthy growth in the second quarter and we have always been very bullish on the segment stating that our size currently is miniscule compared to some of our larger peers which have a topline of Rs. 1500- Rs. 2000 crore as well, so I am not asking for timeline but I think this segment itself can become a Rs. 500 crore plus kind of segment over the next few years?

Hitesh Windlass: Yes, absolutely. Why not? Absolutely. There is no reason why this segment should stay a small one. I think that the opportunity is there. And the best part I feel is that the opportunity will be tapped by formulation manufacturers like Windlas because that's where the best closest match is with regards to the market space. So, I do not see that even 500 to be a limitation there, so absolutely not.

Moderator: Thank you very much, ladies and gentlemen. That was the last question for today. On behalf of Windlas Biotech Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.