February 17, 2025

The Manager
BSE Limited
Corporate Relationship Department
P. J. Towers, Dalal Street,
Mumbai – 400 001.

BSE Scrip Code No. 524280

The Manager
The National Stock Exchange of India Limited
Exchange Plaza,
Bandra - Kurla Complex, Bandra (E),
Mumbai – 400 051.

NSE Symbol : KOPRAN

Dear Sir/Madam,

Sub: Investors Conference Call Recording/Transcript

With reference to Regulation 30 read with Part A of Schedule III and Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, recording of an Investors Conference Call held on February 15, 2025 is uploaded on Company's website: https://www.kopran.com/investors/financials/

The transcript of the Investor Conference call is also annexed herewith.

Regards,
For Kopran Limited
Sunil Radheyshyam Sodhani
Digitally signed by Sunil Radheyshyam Sodhani
Date: 2025.02.17 12:23:04 +05'30'

Sunil Sodhani
Company Secretary & Compliance Officer
Membership No. FCS 3897

KOPRAN LTD.: Parijat House, 1076, Dr. E. Moses Road, Worli, Mumbai - 400 018. P. B. No. 9917, Tel.: (022) 4366 1111
Fax: (022) 2495 0363 Website: www.kopran.com CIN – L 24230 MH 1958 PLC 011078. E-mail: cs@kopran.com
Works:• Village Savroli, Taluka: Khalapur, District: Raigad - 410 202. Tel.: (02192) 274500 / 335 / 337•Fax: (02192) 274025

"Kopran Limited

Q3 FY '25 Earnings Conference Call"

February 15, 2025

MANAGEMENT: **MR. SURENDRA SOMANI -- EXECUTIVE VICE CHAIRMAN – KOPRAN LIMITED**
MR. SANJAY DOSI -- GROUP ADVISOR –KOPRAN LIMITED

MODERATOR: **MR. HRISHIKESH PATOLE – BATLIVALA & KARANI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '25 Earnings Conference Call of Kopran Limited. 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 the touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Hrishikesh Patole from B&K Securities. Thank you, and over to you, sir.

Hrishikesh Patole: Hello. Good morning, everyone. On behalf of B&K Securities, I welcome you all to the Q3 and 9 months FY '25 Earnings Conference Call of Kopran Limited. Hope everyone is in good health and doing well. On behalf of Kopran today, we have with us Mr. Surendra Somani, Executive Vice Chairman; Mr. Sanjay Dosi, Group advisor.

I now hand over the call to the management for the opening remarks, post which we'll open the session for Q&A. Over to you, sir.

Surendra Somani: A very good morning to all our investor friends. I welcome you to the investor call for quarter 3 FY '25. During the quarter 3, the consolidated operational performance improved quarter-on-quarter, though the net profits were impacted by forex losses due to mark-to-market accounting. The revenue from operations were INR166.24 crores for quarter 3 as against INR151.56 crores for quarter 2, a growth of 9.6% quarter-on-quarter. The EBITDA for quarter 3 improved from INR14.74 crores to INR22.91 crores in quarter 3.

The margins also improved from 9.7% to 13.78%. The net profit improved from INR7.38 crores for quarter 2 to INR10.4 crores in quarter 3. This is despite forex losses of INR3.07 crores in quarter 3 as against forex gain of INR0.85 crores in quarter 2.

Moving to our business pillars. Formulations, revenue during the quarter marginally declined to INR72.68 crores from INR74.65 crores quarter-on-quarter. However, EBITDA margins improved and we made an EBITDA of INR11.4 crores in quarter 3 as compared to INR9.69 crores in quarter 2. The percentage margins improved to 15.85% as compared to 13.17% in quarter 2, registering a healthy growth in the operations of quarter 3.

We have been engaged in various CMO projects for 15 dosage forms and CDMO projects for 11 dosage forms, which are either completed or near completion and focused for the regulated markets. Further, CMO projects for 8 dosage forms and CDMO projects for 10 dosage forms are under development again for the regulated markets.

Coming to our other business pillar, the Active Pharmaceutical Ingredients, API. The environment in the API industry remains challenging overall. The company has taken effective steps to grow the business and also improve operational efficiency. We believe the worst is behind us in this segment, and we are seeing a gradual recovery in the API business.

We achieved a growth in the revenue to achieve INR95.25 crores in quarter 3 compared to INR79.15 crores in quarter 2, which is a healthy growth of 20% quarter-on-quarter. Operating margins have also improved, and we achieved an EBITDA of INR10.99 crores in quarter 3 as against INR4.45 crores in quarter 2, which is a significant increase. EBITDA margin in quarter 3 was 11.57% as against 5.76% in quarter 2, which is almost double when you compare the quarters. We look forward to a healthy growth in the near future, as also additional revenues from Panoli in the coming year.

Thank you once again for spending your valuable time, especially on a Saturday. I now hand over for question and answer. Thank you.

Moderator: Thank you very much. The first question is from the line of Sajal Kapoor from Anti-Fragile Thinking. Please go ahead.

Sajal Kapoor: At the beginning of the year, when you were doing the budgeting and planning for F '25, the current fiscal that is, there were certain expectations in terms of sales, margins, cash flows, etcetera.

And there were certain assumptions that about the external environment, certain assumptions about how the product pricing, how the competition from China will pan out, so on and so forth. Please illustrate the factors, excluding forex losses that proceeded as planned, in line with your expectations and the unforeseen challenges that you were not aware of when you were doing the budgeting and planning? That is my first question.

Surendra Somani: Sir, as I already mentioned in our previous call and the current call, the basic assumption was that the prices of Meropenem and other Penems would be settled down, but we saw not only in Penems, but generally across the API industry, the Chinese bringing down prices. So if we really analyze quantitatively, we have grown quite significantly. But in terms of revenue in rupees, we have not been able to grow proportionately since prices were under pressure in the last 9 months. That is the major challenge we have faced.

Sanjay Dosi: I think I would say a few of the products which we envisage were stable and turned out to be as we envisaged. But there were challenges as far as Meropenem and Azithromycin are concerned, which where the prices fall beyond what we expected, we expected by Q2, it should stabilize, but there is still continuous downward trend there. And as far as new products are concerned, the decline in prices, both raw material as well as finished goods was steeper than what we expected. Though as far as formulations are concerned, I think we did well than what we expected in terms of margin effect.

Sajal Kapoor: So if I'm your Chinese competitor following you, what I will do for F '26 will be I will increase the raw material prices further and I will reduce the formulation prices further, so that I report losses in China, but I don't care about my P&L. I don't care about my return on capital employed because I'm getting state funding and state sponsorship. But I want Kopran to go bankrupt. So how do you adjust to that kind of a scenario?

Surendra Somani: Sir, let me clarify. Formulations cannot come into the country because they are not registered and would not be able to register. If you see imports of formulations, the government has kept that very tight and the regulatory process is very difficult. So whichever formulations are being made in India, the government has not allowed them to be registered or marketed all across. It is not just for finance. It is all across. So while your assumption theoretically is right, but in reality, it will not work because the formulations won't come in.

Sajal Kapoor: And that is correct, Mr. Somani for India, but I can sell my formulations in Africa. I can sell my formulations outside U.S. or wherever possible, which means that 70% to 80% of the population globally is within my control because I'm controlling all that I want to control. Yes, China and U.S. are 1 or 2 markets, I don't control, but there is a large space where Kopran is operating where I can go and damage our positioning.

Sanjay Dosi: Coming to this observation, if we see what China is playing around in the world, basically, what you said they are doing for amoxicillin. I mean, they are doing in antibiotics where volumes are very large. And they are controlling the entire chain of KSMs to raw material. To counter that, we have effectively -- I mean, last year, we have faced that in amoxicillin, but we have grown in other products, other markets. And our emphasis on CMOs and CDMOs for last 2 years is basically to insulate ourselves from the threat, which you observed.

And as you can see, last year, we did much better in spite of all those factors. China threat is there definitely in commodity, large volume products such as amoxicillin. So what we have done is we have gone beyond amoxicillin and emphasize on Amoxyclav to counter that threat, and as we develop or grow other products where Chinese threats are not there. Simultaneously, enter into CMO and CDMO for regulated markets to insulate ourselves from that. And as a result, our performance in formulations is much better than previous year.

Surendra Somani: Sir, let me add one more thing for your clarification. While I do say that API industry is affected by China, there needs to be an understanding that it is primarily the fermentation-based products. So yes, fermentation-based products all over, especially non-regulated markets, the Chinese do come to play. Fortunately, Meropenem is not a fermentation-based product. It is just a question of overcapacity where India also is going backward. So in the long run, we don't see China as a threat as far as our product range is concerned. I hope I am..

Sajal Kapoor: That's helpful. Yes. No, that's definitely helpful. My other question was regarding our generic CMO projects that you briefly alluded to in your opening statement. How big can this segment become in next 3 years? And what hurdles do you see in scaling up this segment from Panoli and other facilities?

I understand we will not be able to secure U.S. FDA approval for Panoli in the foreseeable future. What I mean by foreseeable future is anywhere between 3 to 5 years because that is the normal process for U.S. FDA to approve our new facility, new R&D center at Panoli. So taking all those into considerations, what can be a reasonable expectation for this segment, the CMO -- generic CMO projects?

Surendra Somani: Sir, as of now our CMO and CDMO projects are for the dosage forms -- as of now a lot of API, number one. Number 2, yes, we will look at the CDMO proposal. We are talking to a few people, including those in U.S. for doing API also in a CDMO format. But yes, it will take time. Even Panoli plant, we will put it up for U.S. FDA approval. But as you rightly said, it will take 3 to 4 years. Meanwhile, our Mahad plant is already approved by the U.S. FDA. So such projects, we will take up at Mahad. But this is a segment, which we will be continuing to pursue.

Sajal Kapoor: Yes. Understood. So going ahead into F '26 and F'27, is it given all the external factors remaining as is and nothing changes, are we expecting a single-digit growth in top line?

Sanjay Dosi: I think next year would -- if I take 2 years because Panoli will be stabilizing next year, I mean we'll be doing about 40% of capacity utilization next year and second year about 80%. So I see about -- I mean, first year growth of 10% to 12% and second year growth of about 20% in API segment.

Sajal Kapoor: And overall consolidated proposition API put together for F '26 and F'27.

Sanjay Dosi: I think keeping in mind our pipeline of CMO and CDMO plus API, I think it would be fair to say, I mean, I wouldn't be able to put exact numbers, but it would be in the range of 10% to 20% on a consolidated basis, more towards 15% as of now.

Sajal Kapoor: For F'26?

Sanjay Dosi: For F '26, yes, about 15% and '27, about 20% consolidated.

Moderator: The next question is from the line of Aditya Sen from Robo Capital.

Aditya Sen: Sir, previously, we had some aspirational target of reaching INR1,300 crores of revenue in 4 years. So are we still sticking to that?

Sanjay Dosi: I'll tell you, I mean, it's a function of what we are looking at in terms of since I mean next 4 years, which 4 years period you have...

Surendra Somani: I'm sorry, I have not understood clearly. Can you repeat, please? When you say 4 years from when -- from current year or...

Aditya Sen: Like you can say 3.5 years from now.

Sanjay Dosi: I think given scenario, less keeping current prices in mind, I would say, about INR1,200 around that. But any upward movement will give you a better top line.

Aditya Sen: Yes. And by then, will be settled around the 20% EBITDA margin?

Sanjay Dosi: How much?

Aditya Sen: By then, like, 4 years, will we settle around 20% EBITDA margins?

Sanjay Dosi: It's difficult to predict, but definitely, it will be about 17% to 20%.

Moderator: The next question is from the line of Julie Mehta from B&K Securities.

Julie Mehta: Sir, actually I missed the commentary and I didn't get the data of the number of CMO projects undergoing. So can you please clarify the same again?

Surendra Somani: Sure. So we are already under completion, near completion for 15 dosage forms under the contract manufacturing CMO and development and manufacturing about 11 dosage forms. They are either completed or near completion. And we have taken further 8 dosage form projects for CMO, which is for called site transfer and CDMO, which is development and then manufacturing for about 10 dosage forms.

Julie Mehta: That's really helpful. And sir, my second question would be around PenG. So, can you throw some light on the current pricing situation of PenG and what is the percentage of PenG that we need to that you actually outsource from China?

Surendra Somani: So ma'am, PenG, we do not use at all. Penicillin is a raw material for amoxicillin, and we do buy amoxicillin both from China and India for our amoxicillin capsules. As Sanjay mentioned earlier, we are focusing and moving more towards the combination of amoxicillin with clavulanic acid, which has a higher value and is safer in terms of pricing competition because the product is very sensitive and tricky. So they are not like 100 players as is in the amoxicillin, but as far as the API business is concerned, penicillin prices or relevance is not there at all.

Julie Mehta: Okay, sir. And sir, my last question for now would be with respect to diversification. So are you looking at doing any work around GLP-1 opportunity?

Surendra Somani: Sorry. I didn't understand, which -- can you please clarify? I didn't hear you.

Julie Mehta: Sir, are you looking at doing any work around GLP-1 opportunity for drugs like semaglutide, Ozempic?

Surendra Somani: At least 100 companies in India are working on semaglutide. Yes, I'll be honest, we are also looking at it. But whatever the latest reports we got on semaglutide, the oral semaglutide is not really working well. And India as a country, injectable is not a great market where people will take semaglutide for the obesity. So we have to still see. Lilly has also launched this molecule. It's under patent. See the only product which is going off patent now is semaglutide. The others are all still in patent. So we have to wait and watch.

We'll be seeing the market, the side effect profile and continuing to monitor. It's a very interesting market. But when you look at the large market, the India obesity is, frankly, don't mind is restricted more to the upper class. So we have to look at all angles. And every company wants to enter semaglutide. But we feel that these later molecules, which will be in the tablet forms, will be more interesting. We are keeping a watch on it.

Moderator: The next question is from the line of Sajal Kapoor from Anti-Fragile Thinking.

Sajal Kapoor: Mr. Somani, Aurobindo and other Indian companies are attempting import substitution for KSMs coming into India from China. But there are issues in KSM yield and quality, which is common in early stage as plants take time to stabilize and I understand all of that, that Aurobindo is also struggling.

Have you got an update on KSM and backward integration at a country level for India as a whole? And how will Kopran be affected due to the delay and the challenges that some of these Indian companies are facing in the KSM strategy to try and derisk away from China?

Surendra Somani: Sir, I already clarified, but I'll repeat for your understanding. So when we talk of KSMs, there are 2 categories, KSM, which are purely synthetic synthesis-based process and KSM, which are based on fermentation. You just referred to Aurobindo -- you are right, Aurobindo has already put up a plant for penicillin. And to the best of my knowledge, they have already started trial production and they will succeed for sure.

Now the question comes whether their cost will be lower or the same or slightly higher than China. Even if they are slightly higher than China for the domestic market, the government has already assured that such basic KSMs, which will be made from fermentation in India to make us self dependent, the government will protect us. So that's where we stand as far as fermentation-based KSMs are concerned.

Coming to the synthesis one, we are seeing almost every quarter new companies coming up with synthesis at prices as competitive as China. So I think in the next 3 years, synthesis-based KSMs, you will see a lot from India. To that extent, Chinese will not be a threat. But having said that, the fact remains that antibiotics, China, antibiotics are based on fermentation-based raw material, whether it is Penicillins or Cephalosporins or others, Tetracycline, Azithromycin, these are all fermentation based.

India still has a long way to go. Maybe it will be more like a 5, 7 year time cycle. But knowing that the government is very keen to start fermentation of all products, it may take time, but it will happen. I hope I answered your question.

Sajal Kapoor: Yes sir.

Sanjay Dosi: As far as KSMs are concerned, my observation is that since India is going very aggressive on development of KSMs, whether synthetics or fermentation, we are seeing a trend where China is dropping prices of KSMs. I mean, till now, India is catching up with whatever they are dropping, they are trying to match that in terms of their cost, etc. So overall, I look at it as the next battlefield will shift from APIs to KSMs.

And on a longer-term basis, India developing its own capabilities, etc., will give an insurance that in future, China on whims and fancies don't raise prices of KSMs. So it will give us a more stable kind of environment and certain jugs will be avoided. That's what I think over a period of 2 to 3 years.

Sajal Kapoor: Right. So if I could summarize what I gleaned from Mr. Somani's comments and your comments, Mr. Dosi, regarding the fermentation case, the minimum support price from the government of India or some form of antidumping duty will be levied to keep China to keep India self planned?

Sajal Kapoor: Understood. That's helpful. And one more question regarding -- so we operate in multiple countries. We have got multiple currency exposure. What is our policy on a country-by-country level or overall, please?

Surendra Somani: Sir, we operate primarily 98% on dollar fully. Only 2% would be between euro and pound. There is no fourth currency. Only these 3 currencies, are 98% is in dollars.

Sajal Kapoor: Okay. So that, and do we -- do we have dollar?

Sanjay Dosi: I mean, as a policy, we keep certain percentage of dollar hedged by forward booking and some by foreign exchange banking credit. So about 60% is always hedged irrespective of where it is moving.

Sajal Kapoor: Okay, which means that there will be periodic losses due to forex, and there will be periodic gains due to forex in our -- hitting our P&L.

Sanjay Dosi: Right.

Moderator: The next question is from the line of Hrishikesh Patole from B&K Securities.

Hrishikesh Patole: Quickly taking from the previous participant on the CMO and CDMO projects, can you give more highlight like where are we in the stage like supplied quantities for qualification, whether this would be supplied from Mahad or Panoli? Next, what is the broader time lines like -- and would this be from the existing set of products or the new set of products they want to site transfer or tech transfer? I mean can you throw more light on that?

Surendra Somani: Right now, as I said earlier, contract manufacturing projects are mainly or only in the formulation segment, which is our plant at Panoli. Yes, out of the 15 projects which we have, we have some projects where we have started work.

Sanjay Dosi: No, no, 15th we have completed...

Surendra Somani: We have started supplying. And CDMO also we have done for the UK and the Canadian markets. We have done the product development. We have done the bioequivalence and we have filed the dossiers, etc. And other 8 projects, which is as of date is an area where we grow. These again are for the regulated markets, including...

Sanjay Dosi: It's like this, the CMO and CDMO projects of 26 projects, with all including, which are near completion or completed. Commercial supplies are starting in this quarter or I mean all the projects, if I say, by first quarter of next year. We will be in commercial supply stage. We would be supplying commercially.

As far as projects which are under implementation, about 18 projects both put together, we say commercialization between 12 to 24 years -- months, sorry, in stages -- am I clear?

Hrishikesh Patole: I think -- I mean so just to get more clarity, I mean, the projects that we start -- will start getting the benefit from Q1 FY '26, these are from the existing therapeutic area that we are exporting or is it something else? I mean you want to throw some more light on that? Or these are specific projects which the client has...

Surendra Somani: It's a mix of both. There are certain projects where we are not making the API like so let’s say financial giving one project, a product with an idea or a term that we don't do the because what happens when you go to a customer for a CDMO project or a CMO project, he is not going to be very choosy, okay, I give you 1 product or 2 products. Then we look at a basket of products. It's a mix of all. It can be an antibiotic, definitely, antibiotics are there. There are some diabetic or cardiac or pain management or gastrointestinal, there are various segments.

And in formulations, we don't have that much limitations that we have to do only one category or one therapeutic group. So as such also, we make a whole range of products, pain management, gastrointestinal, CNS, antibiotics, cardiac, diabetes, different types of products. So not a challenge. It's just the time it takes. That's all.

Hrishikesh Patole: Okay. That's helpful. And I mean -- so I mean I believe that these projects would come at a higher margin than our consol margin currently. Would that be a correct understanding?

Sanjay Dosi: I think some are in line, some are a little higher. But the more important point, the way we are looking at as far as this line of business is concerned, is a consistent regular business environment at a decent margins with the volume.

Hrishikesh Patole: So this would be then pretty medium- to long-term contracts or these are the short-term fix to...

Sanjay Dosi: No, no. I mean CMO, CDMO, nobody does for short term. I mean you spend 1, 1.5 years to develop that product, the site transfer, etc., in some cases, years, 3 years. So these are long-term regulated markets where the partnership is much broader and long term with the customer. That's why I'm saying these are businesses, which is not a spot business, which you can plan for a year, regular business with decent margins and good margins. So this changes the profile from what we are doing today.

Hrishikesh Patole: Does that help us to reduce the quarter volatility in...

Sanjay Dosi: Absolutely. When you'll see regular quarterly businesses are there, so you'll have less of volatility in terms of volumes going up and down in one quarter and another quarter very high. So it gives you more consistency as far as your predictability is concerned, more consistency for you to have higher operational efficiencies, plan your production smoothly.

So it's -- I mean, it's the ideal way for the company to grow. And that's the mix which we are trying to increase. I mean we see 2 years from now, more than 60% business should come from CMO and CDMO.

Hrishikesh Patole: Okay. So we are targeting around more than 50% to come from CMO and CDMO?

Sanjay Dosi: Yes, 2 years from now. So I mean, gradually, we are building 20%, 25% next year, 30%, 35%, and then 50% around.

Hrishikesh Patole: And more, I mean -where -- I mean, just to get deep dive into this, I mean, do we like then take this to -- I mean, do we need extra capex to cater to the demand that we have signed as of now Panoli and Mahad will be sufficient?

Sanjay Dosi: These are formulations, so nothing to do with API. I mean don't confuse. These are purely, purely formulation businesses. We have quite automated our packing lines, etc., increased our capacities, keeping these in mind and certain things are on its way. So we are well prepared for meeting the demand. And we are going a little more aggressive on CMO and CDMO projects. We would be signing further CMO, CDMO projects in the next 6 months. So as I said, our objective is to have 50% or more from this line of...

Hrishikesh Patole: Okay. That's helpful. And can you just give me a broad -- I mean, what was the capex till 9 months this year? And how much was that for Panoli? I mean you can if you can share?

Sanjay Dosi: Panoli, we have not -- I mean, Panoli, almost all capex has been completed from last time we have given, barring some small here and there, and we are expecting commercial production to start in Q1, beginning of Q1 rather. Trial production, validation batches, etc., are going on.

Hrishikesh Patole: Okay. We have almost line clearance for Panoli, right? And nothing has...

Sanjay Dosi: All clearances have come, except for commercial production, I mean commercial sales. So production...

Hrishikesh Patole: For commercial sales, will we lead on inspection? I mean...

Sanjay Dosi: I mean they have certain certifications, which they have to issue and environment clearances, etc., everything has come. So we have started our production for validation and trial and other things, and expect in beginning of Q1 to start commercial production out there.

Hrishikesh Patole: Okay. Great. And can you help me with the capex number for 9 months?

Sanjay Dosi: I would have readily available. But in formulation, it's not very, very high. It's normal capex of about INR10 crores or so in formulations for 9 months.

Hrishikesh Patole: Okay. Sir, and just to get data points from your presentation, the net debt has gone up. So I mean can you just give us a few numbers? What was the debt as of on the books, gross debt and gross cash? And how do we plan -- what are the plans for debt repayment, the debt...

Sanjay Dosi: Let me tell you one thing. Our debt is basically working capital debt, except one term loan, which is there, we have not taken any term loan thereafter. It was taken for Panoli 4 years back. That would be now about, let's say, INR10 crores, INR12 crores or so.

Rest is working capital, which keeps moving, I mean, on a particular cycle where you have larger inventory of using penem or something that keeps a little moving. Otherwise, it is in line. I mean, on an average basis, you see we don't -- we have not increased our debt at all. I would say, about 30% working capital limits are not used by us.

Hrishikesh Patole: Okay. That's great. And just lastly, taking from the previous participant as well, I mean, for the price erosion that we saw in 2Q with Chinese competition entering or taking prices lower. And now we are seeing some kind of stabilization, but volumes have increased. That is what you said, right? So have we lost any market share in this process? Or is it just the pricing that has gone down and that's impact?

Sanjay Dosi: I'll tell you, we have increased our market share.

Surendra Somani: In Meropenem, especially, we have focused and increased our market share.

Hrishikesh Patole: And sir, how much would be the contribution of Meropenem to total? Any broad I mean directionally also you can tell us?

Sanjay Dosi: The total market we are talking or...

Hrishikesh Patole: Meropenem to total your total?

Surendra Somani: Meropenem market is about 100 tons.

Hrishikesh Patole: How much does Meropenem contribute to your total?

Surendra Somani: We would be doing about 20 tons this year, as compared to many 12 or 13 tons last year, 14 tons.

Hrishikesh Patole: Okay. I mean roughly, it would be 20%, I mean...

Surendra Somani: Yes.

Hrishikesh Patole: Okay. Great. I mean that's it from us. I have any -- and just 1 more lastly, you announced an ESOP recently, right? So can you like -- if you have any details can provide the details on the ESOP that you announced?

Sanjay Dosi: Last year, we announced ESOP and we have given to our employees and some of them have exercised their options. And still they have a time. I mean it's a 3-year thing where we have given about 340,000 375,000 shares is ESOP at a rate of 179. And 40% of that is exercisable after 1 year, which is from September '24 till August '25, they can exercise at any point of time. 30% would be September '25 onwards and 30% would be September '26 onwards.

Moderator: The next question is from the line of Ketan Cheda, an Individual Investor.

Ketan Cheda: I'd like to ask, you mentioned that our margins would directionally start going upwards in the next couple of years, 2, 3 years, 4 years' time frame. Could you help me understand what would be the main levers that will help us to improve our margins? And what could be the risks to these levers?

Surendra Somani: As we said, we will be targeting in the next 3 years to grow to a level of around INR1,200 crores, which means there will be new products, there will be increase in existing products. So we get the benefit of economies of scale, overhead as a percentage go down.

And secondly, when we are doing the CDMO, CMO projects in the formulations, they have a better margin. And as we move on, we also look at cost reduction because volumes give us a chance to improve our efficiency. It would be the prime pillar.

Sanjay Dosi: I'll put it this way. As far as API are concerned, apart from whatever new products we are launching or in the phase of launching, the current portfolio where the products which are susceptible to Chinese competition or volatile pricing, which are primarily Azithromycin, you can say, or Meropenem or some of the Ticagrelor, etc.

These products -- I mean, these are almost at their bottom, I mean, barring another 3%, 4%, 5% one can say. But in the cycle of a product for last 2 years, I mean Meropenem is on a downward gone to a situation where Chinese are not recovering their cost also. So further downside on this is much, much limited compared to the upside potential of those.

Plus the new products like Faropenem or other products, which are giving good margins and they are growing. They are less susceptible to price competition, and we are expanding like capacity of Faropenem also. So we are looking at product basket where price volatility is very high, that is at this point on the last leg of its downwards.

And products which are more stable, they are growing and we are expanding also in those capacities. Our market share is improving. Our products are well received. Plus on formulation side, as I said, CMO, CDMO, more consistent and decent margins, coupled with more sweating of our assets.

That will give better EBITDA margins, and we are quite sure about it. That's what I tried to explain, this are always there, but the kind of products which I said, foreseeably, we don't see any risk and the products where risks were there, as I said, they are already on the last leg of there. So I don't see further much more risk on those things.

Ketan Cheda: Okay. And the other question I have is on the capex. So now in the next, like, say, 3, 4 years, could you share what could be the expected capex amount that we may need to incur in any of our plants and sites?

Sanjay Dosi: I don't -- I think for next 2 years, I can't say about 4 years, 5 years at this point of time. But next 1 to 2 years, I don't see very large capex except if we are putting up a vial filling for pen arms. Other than that, I don't see a very large capex. We have enough capacity already created. And that's how it is.

Ketan Cheda: Okay. So it means in the last 2 years, that is FY '23 and '24, we had roughly about INR60-odd crores in that range, give or take, plus/minus something, INR60-odd crores for these 2 years, we've done INR61 crores and INR57 crores, respectively. So the amount of capex, that would significantly come down in the next couple of years is what you're indicating?

Sanjay Dosi: At least next 2 years, I would say.

Ketan Cheda: Next 2 years. Okay. But then there could be some upward, there could be, I am saying of course...

Sanjay Dosi: It depends on I mean, certain things are under work. If those projects fructify and as expected, demand increases, then we'll have to put up a dedicated plant for them. Otherwise, I mean, we have -- for the next 2, 3 years, productive expected, we have enough capacities for that.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's conference call. I now hand the conference over to the management for their closing comments.

Surendra Somani: I would just like to thank everybody. And as I said earlier, we are obliged that you have joined us and take your interest in Kopran, especially on a Saturday. And we look forward to more growth and better profitability. Thank you very much.

Moderator: Thank you. On behalf of B&K Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.