August 6, 2024

BSE Ltd.,
P J Towers,
Dalal Street,
Mumbai - 400 001.
Scrip Code: 524735

National Stock Exchange of India Ltd.,
Exchange Plaza,
Bandra-Kurla Complex, Bandra,
Mumbai - 400 051.
Symbol: HIKAL

Dear Sir/Madam,

Subject: Transcript of Earnings call for quarter ended June 30, 2024

In continuation of our letters dated July 24, 2024 and August 1, 2024 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call to discuss the financial and operational performance for the quarter ended June 30, 2024 held on Thursday, August 1, 2024.

Kindly take the information on record.

Thanking you,

Yours sincerely,
for **HIKAL LIMITED**

Rajasekhar Reddy Chintakindi
Digitally signed by Rajasekhar Reddy Chintakindi
Date: 2024.08.06 17:20:16 +05'30'

Rajasekhar Reddy
Company Secretary & Compliance Officer

Encl.: As above

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Hikal Limited
Q1 FY25 Earnings Conference Call

August 01, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 1st August 2024 will prevail.

MANAGEMENT:
MR. SAMEER HIREMATH – MANAGING DIRECTOR
MR. ANISH SWADI - SENIOR PRESIDENT (BUSINESS TRANSFORMATION)
MR. KULDEEP JAIN - CHIEF FINANCIAL OFFICER
MR. MANOJ MEHROTRA- PRESIDENT (PHARMACEUTICAL BUSINESS)
MR. VIMAL KULSHRESTHA – PRESIDENT (CROP PROTECTION BUSINESS)

Moderator: Ladies and gentlemen, good day and welcome to Hikal Limited Q1 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 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sameer Hiremath – Managing Director of Hikal Limited. Thank you and over to you, sir.

Sameer Hiremath: Thank you. Ladies and gentlemen, good afternoon and a very warm welcome to all of you. We extend our gratitude to all of you for participating in our Q1 FY25 Results Conference Call.

We are pleased to provide you with an update on the progress made by our company. We trust that you have had the opportunity to review our Earnings Release, Investor Presentation, and the Financial Statements for the Quarter ended 30th June 2024. These documents can be accessed on both Hikal's website and the Stock Exchanges' website. I am Sameer Hiremath – Managing Director, Hikal Limited, and I will be leading the discussion and presenting the financial results.

On this call with me, I have Anish Swadi - Senior President, Business Transformation; Kuldeep Jain - Chief Financial Officer; Manoj Mehrotra - President, Pharmaceutical Business; Vimal Kulshrestha - President, Crop Protection Business; and Strategic Growth Advisors, Investor Relations Advisors.

Now talking about our Q1 FY25 Performance:

Despite the ongoing challenges and price pressure from competitors, particularly China, the global crop protection industry is expected to stabilize by the end of this year. The pharmaceutical sector is showing definitive improvements supported by stabilized raw material prices and an increased demand. Our strategic focus remains on acquiring new customers, improving operational efficiencies and optimizing costs through various business excellence initiatives.

In the current quarter, we have experienced increased market penetration, stable raw material prices, and a significant rise in inquiries in our CDMO segment. Our animal health facility has completed validations for five products and is on track for validating several others in the following quarters. We have also initiated regulatory filings for these products across the globe.

In our Pharmaceutical business, we have seen increased market demand in terms of volume and offtakes, which reflect the positive outcomes of our strategic efforts to increase market share into new geographies over the last few years. This progress is evident through the regulatory approvals and expansion of our customer base, which have now increased significantly into new geographies like Latin America, Middle East and other parts of Southeast Asia in the API segment.

In the Crop Protection business, the industry continues to face challenges, including subdued demand due to inventory correction, intense price competition, and severe overcapacity. While we recognize the short-term challenges in the industry, we anticipate an improvement in the market trajectory by the end of this financial year. We are well positioned across our businesses for long-term profitable and sustainable growth.

For Q1 FY25, the EBITDA stood at Rs. 58 crores, which is 14.3% compared to Rs. 50 crores, which is 12.9% on a year-on-year basis, resulting in a growth of 16%. The same is not being reflected in the profit before tax and profit after tax due to the increase in depreciation and interest cost on account of capitalization of new assets during the last 12 months. The combined impact amounts to Rs. 10 crores. As we ramp up production and sales from these assets, these costs will get absorbed, resulting in higher profitability going forward.

Now I would like to hand over to Vimal Kulshrestha, who will provide an overview of the Crop Protection Division's performance. Over to you, Vimal.

Vimal Kulshrestha: Thank you, Sameer. Good afternoon to all the participants of this call.

In Q1 FY25, revenue of our Crop Protection business was Rs. 177 crore with EBIT of Rs. 21 crore and EBIT margin of 11.6%, showing a year-on-year increase of 110 basis points.

Our product mix for the quarter was more leveraged towards our CDMO portfolio, leading to improved margins. However, the Crop Protection industry continues to face challenges due to de-stocking, overcapacity and intense price competition from China. We are actively engaged in several projects, both with our existing innovator customers and new customers which are in the advanced stage of discussion. We are seeing positive traction with several companies in CDMO segment for development and contract manufacturing. These projects are expected to drive over mid to long-term growth.

Our efforts to improve cost are starting to show positive results and have played a significant role in maintaining our margin profile amidst the challenging market conditions. Overall, despite the challenging industry landscape, we are focused on growth opportunities and cost optimization, which will contribute to our sustained success in the market.

In business vertical’s own product, destocking continues to impact demand globally, which is expected to improve towards end of FY25. In line with our growth strategy, we are actively working on new product opportunities to expand our business further and de-discover customer and product portfolio. Our CDMO business maintained a healthy pipeline of inquiries from both current and prospective clients.

Our focus on these opportunities is expected to strengthen our position among global innovators driving growth in the segment in the medium term.

Now, I would hand over to Manoj who will provide an overview of Pharmaceutical Division's performance. Manoj, over to you.

Manoj Mehrotra: Thank you Vimal and good afternoon to all on this call. I will talk about the performance of the Pharma business.

On the Financial Side for Q1 FY25:

Our Pharmaceutical business reported revenue of Rs. 229 crores and EBIT of Rs. 9 crores. This was a decrease of 60 points as compared to year-on-year. We are anticipating good volume growth in our API business in the coming years, and therefore, we took capacity expansion and debottlenecking shutdowns, which will give us increased operating leverage in the next few quarters.

Several CDMO project deliveries are also pushed back due to customer requirements, which will improve in the second half of the year. We are focused on improving profitability and on increasing revenue, and to achieve this, we are implementing several measures to enhance cost efficiencies and optimize operational processes.

Coming to our business vertical on the API side:

The performance of our API business is improving both in terms of quarter-over-quarter and year-over-year growth. We have started the necessary regulatory filings for our expansion project in different regions, which will significantly contribute to our future growth. Our product development pipeline is robust with 8 to 9 products in progress, and we are on track to launch 2 to 3 products every year. One DMF was filed in Q1 FY25. Additionally, our market share in the existing product portfolio is consistently growing.

The CDMO vertical in the 1st Quarter of the Fiscal Year 2025, our CDMO business continues to be impacted by de-stocking. But it is expected to normalize by second half of the fiscal year. We are consistently engaging with our existing customers and in the last two quarters have received a growing number of inquiries and conversions to form business indicating a strong interest in expanding partnership with us. Our CDMO business is showing positive results with two products currently in production that are expected to reach their peak potential within the next two years.

Furthermore, two of our advanced intermediates for NCEs are progressing well in Phase-3 of the clinical trials with innovators and are anticipated to start ramping up by 2026-27.

On the overall Pharma business, the API business is experiencing positive momentum with strong growth potential in different regions. We expect regulatory approvals for new products to contribute to this growth. We have a strong pipeline of projects in the CDMO sector and are actively seeking new opportunities. We have lined up several customer audits for the remainder of the fiscal year. The improved operating leverage in this segment is expected to result in better profitability.

Now I will hand over to Anish who will provide an overview of a Business Strategy.

Anish Swadi: Thank you, Manoj and good afternoon to everyone.

First, I would like to give you the highlights on the Animal Health business. The development of multiple APIs for an animal health innovator company is progressing well under our long-term agreement. Furthermore, our new multipurpose plan for Animal Health is operational and we have successfully completed the validation of five products with several more products undergoing validation, which is expected to be completed by year end. These will then be submitted for registration and eventual commercialization. We are also in discussions with a range of new customers in this segment for process development and complex molecule synthesis, which is also showing positive signs.

In Summary:

Despite the immediate challenges we face, we are confident that there are long-term opportunities for us to surpass them. Our Transformation Initiative Project Pinnacle is already producing results, bringing us closer to our goal of fostering sustainable growth across all our businesses. Furthermore, we have established strategic partnerships and collaborations with key industry stakeholders, enabling us to partner on new technology, gain expertise and resources. These partnerships also provide us with increased market visibility and credibility.

Moreover, we are actively investing close to about 4% to 5% of our revenue in R&D to innovate new products and services that address the evolving needs of our customers. Our focus on continuous improvement and innovation ensures that we stay ahead of market trends and remain at the forefront of the industry. Our encouraging momentum of Project Pinnacle is evident in our de-risking of our supply chain and acquiring new customers.

In addition, we have made significant progress in diversifying our revenue streams by expanding into new markets and segments. This has also allowed us to reduce our dependence on any single market or region, thereby mitigating risks associated with economic fluctuations and or regulatory changes. As we progress through the next Phase-of our strategic development, significant progress has also been achieved by integrating sustainable practices into our ESG framework. Our commitment to sustainability is substantiated with Hikal becoming a signatory to the United Nations Global Impact Program, and we received the Bronze Rating awarded by EcoVadis. In order to make a positive environmental impact through our operations, we have developed a clear future strategy and roadmap.

As we move forward in our strategic evolution, we have placed a strong emphasis on talent development and fostering a culture of innovation and collaboration within the organization. Overall, we remain optimistic about the future and believe our strategic initiatives and focus on sustainability will enable us to overcome challenges and achieve sustainable and profitable growth in the long run.

Now I would like to open the floor to Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Aman Vohra from Premier Capital. Please go ahead.

Aman Vohra: So, my first question is on the comment that Mr. Vimal made on the Crop Protection business in the industry seeing improvement at the end of financial year. While our press release, the Chairman has mentioned end of calendar year. So, could you just clarify that comment?

Vimal Kulshrestha: Yes, so we expect it to be towards Q3 or Q4 of current financial year. You know, it is difficult to specifically tell you the period, but this should be around Q3 or Q4 of current financial year.

Aman Vohra: And what exactly gives us the confidence that this will be during Q3, Q4. Because the issues have been there for more than 15 months, 12 months now. So, what is giving us this confidence now that towards the end of this financial year, we would see some uptake?

Vimal Kulshrestha: So, this is based on various interactions, discussions in the market with our customers and understanding that how they have been de-stocking their products and also with the end consumers and in the supply chain.

Aman Vohra: And just to look at Hikal as a company, so we did about Rs. 2000 odd crores of turnover in FY23 with 17% to 18% kind of EBITDA margins, 18% kind of EBITDA margins broadly. So, if I look at this as an investor, if I look at this company over three to five years, what is the broad outlook that the management can share on the base of FY23 please?

Sameer Hiremath: No, I think rather giving forward guidance, expecting 10% to 15% growth coming back from next financial year. Once the Crop Protection business comes back on track, I think we should be getting back to those numbers and the EBITDA numbers historically of 18% to 20% is what we can achieve in the next few years after post from FY26 onwards.

Aman Vohra: Also, just to understand this 10% to 15% once demand normalizes, as you said, is a really underwhelming number because if we see, we have been guiding mid to high teens earlier also in FY23 and we have done cumulative about Rs. 600 to Rs. 800 crores of CAPEX, which would be 1.3x to 1.5x asset turns over the last three odd years. So, just to get a better sense on this 10% to 15% guidance. And this is when you are specifying that crop protection returns back to normalcy?

Sameer Hiremath: Yes, I think the focus is more on improving the margins and the product mix. Crop protection, as Vimal said, will start normalizing by the end of this financial year, but the real impact will start coming by next financial year. So, it will take about a year, year and a half for crop to come back onto track. And then we expect another few years. So, I am taking a CAGR over the next three years. That's why I know that the CAPEX will come into play. And the -pharma approval, there's a lot of the CAPEX is going into Crop, Animal Health and Pharma, and those validations are happening by end of this financial year. So, that takes a few years to get ramping up, right? It's a pharma API business is a two-to-three-year gestation period, post-CAPEX.

Aman Vohra: And any CAPEX guidance for this year, sir?

Sameer Hiremath: So, we are doing about Rs. 120 to Rs. 140 crores in that range, depending approximately. Nothing significant, it's mostly debottlenecking and maintenance CAPEX. There's no major significant CAPEX right now.

Moderator: Thank you. The next question is from the line of Ankeet Pandya from InCred Asset Management. Please go ahead.

Ankeet Pandya: So, just one, two questions. So, on the EBIT front, like we have seen Crop Protection EBIT margins improving both year-on-year and sequentially. While sentimentally currently the overall industry wise, it is still there's weakness, so any particular reason for increasing in the EBIT margins for Crop Protection?

Sameer Hiremath: Well, I think we had some high margin products that we sold in Quarter 1 from the CDMO space and that's why the margins were on the higher side in Quarter 1.

Ankeet Pandya: Is this a sequential thing or it can still fluctuate in the coming quarters?

Sameer Hiremath: I think it will decrease; it will fluctuate.

Ankeet Pandya: One question on the interest cost during the quarter. So, that is increased sequentially from Q4 to Q1. It has increased from Rs. 15 to Rs. 20 crores almost. So, I think the short-term debt has increased in FY24. So, can we expect by the end of FY25 the interest expense to come down?

Sameer Hiremath: Well, the interest has increased because the capitalization of certain assets has taken place in the last year. And from this quarter onwards, that is hitting our P&L. So, that's why the interest cost has increased. And debt has actually gone down for this quarter, if you look at our absolute debt numbers. It is down this quarter. And what was your second question again? Can you repeat that?

Ankeet Pandya: It was on interest cost only.

Sameer Hiremath: Yes, so interest costs was increased because of the capitalization of certain assets in the last financial year, which is now hitting the P&L only this year. And as we ramp up production and sales from these assets, these costs will get absorbed, resulting in higher profitability. So, there is a lag effect, that's what it is.

Ankeet Pandya: Okay, and sir, by how much amount have we reduced the debt this quarter?

Sameer Hiremath: Overall debt is about Rs. 759 crores compared to Rs. 804 crores in the last quarter. So, decrease of almost Rs. 45 crores.

Ankeet Pandya: And do we plan to reduce it further by this year or by next year? Any plans for debt reduction?

Sameer Hiremath: We will have some optimization of CAPEX numbers, but as the business grows, we are looking at a long continuous improvement in debt and improve the debt-equity ratios. It should start coming down from next year.

Ankeet Pandya: From next year onwards. Thank you.

Moderator: Thank you. The next question is from the line of Ravi Shah from Opal Securities, please go ahead.

Ravi Shah: So, my first question is, in the speech you had mentioned about the crop protection industry, in terms of pricing, if you could help us understand what is going on in terms of aggression in pricing?

Sameer Hiremath: Yes, so I think crop protection industry pricing from China is very aggressive and they're dumping product at a very low price. So, that is definitely impacting crop protection pricing power, and this continues for the older molecules which are commoditized, but for the new molecules which is what we are focusing on in the CDMO space, which are under-patent, the pricing is intact. But there is a short-term correction. There's been a correction last few years for the inventory correction. But once that pans out, I think once demand will come back, then the margins will start improving because they're not prevalent much in the commodity space. They're more in the specialty space in the crop business as well.

Ravi Shah: Understood sir, thank you for the detailed answer. So, my second question will be on the Pharma side. So, is there any increased traction towards contract manufacturing and what are the type of enquiries that you mentioned that we are getting? So, what are the types of enquiries that we are getting in this space?

Manoj Mehrotra: So, we are definitely seeing increased traction in the CDMO business. First of all, we are getting more business from existing customers where we are already approved as a service provider. Plus, we have been in discussion with some other innovators and they are at this point in time auditing us and visiting us to approve us for more opportunities. And we are definitely seeing that impact of China plus one strategy in the CDMO business. The gestation period is long, so you will take some time for the financials to show it, but one can sense that increased interest of innovators to come to India and to Hikal.

Moderator: Thank you. The next question is from the line of Prisha Rathi from NM Securities. Please go ahead.

Prisha Rathi: I have couple of questions. How long does it take from CDMO inquiry to commercialization where we start seeing realization?

Manoj Mehrotra: It can take two years, three years or sometimes more also because they start with smaller quantities and depends where you start with, you start in Phase-2, Phase-3 or near to commercialization. There's no definite answer, it takes time but what is there if it passes through clinical and business is certain after that.

Prisha Rathi: And my second question is for Q1 FY25, what was your R&T spend as a percentage of sale?

Sameer Hiremath: About 4% of our total sales.

Moderator: Thank you. Next question is from the line of Aman Vohra from Premier Capital. Please go ahead.

Aman Vohra: Just some clarification on the comment you made on the crop protection margin. So, I understand that there can be volatility quarter-on-quarter, but on a full year basis, we maintain our 1Q margins?

Sameer Hiremath: I mean, there will be some variation. I mean, this quarter we had some high margin products. There will be a little bit of variation crop. Once Q4 comes into play, I think the demand starts coming back, then these margins will be more sustainable. There'll be some variation in next few quarters, yes.

Aman Vohra: And second thing is on the animal health side. When do we start seeing revenue accruing and any thoughts you can share on the potential of this division over next five years in terms of revenue?

Anish Swadi: Yes, so, as I said earlier is that right now, we are just in the validation Phase-of several molecules, but we also have an existing animal health business. So, right now validation revenues are smaller than what you'd expect, significantly smaller than what you'd expect on the commercial scale. And we expect a lag time of anywhere between, I would say 14 to 16 months before the product becomes commercial post the validation. Over a longer period of time, if I look at a three-to-four-year horizon, I could certainly see that this business could be a Rs. 300 to Rs. 400 crore business because we have 1) a portfolio of products that we have in discussions with a customer. We have an existing portfolio as well, and we are in late-stage discussions with several other customers. So, we do have good traction in this business.

Aman Vohra: Right. Got it. And just to put things together, so we are thinking that in 3 to 4 years' time, we can do Rs. 300 to Rs. 400 crores revenue in this business while Mr. Hiremath guided that over longer term, we can do a 15% kind of a growth. So, on that base of FY23, which was Rs. 2000 crores of revenue; over the next 4 years, can we double that revenue to about Rs. 4000 crores, putting animal health and the other two businesses at 15% growth just mathematically?

Anish Swadi: Look, when you have an existing base, which is significant currently at this time as a company across both the divisions. It's more challenging to grow a business at 15 plus percent CAGR return. I think animal health is a smaller business because our base is smaller. We have some good traction in there. So, when Sameer mentioned about growing this business at about 10% to 15% on a CAGR basis, he's including all the businesses that we have. Is it? Possible, yes, certainly. I mean, we are always striving to grow faster. But again, the focus, as he mentioned, is on profitability, right? How do we improve the margin profile and the net profit? That's the key focus of the business across all the verticals.

Aman Vohra: No, I understand that sir, but you will have a lot of other CDMO players both on the chemicals and pharma side in India, operating at a larger base than what we are and growing at a faster rate. So, I am just a little not clear why a 10% to 15% growth because if you see in the overall scheme of demand and the opportunity that both the pharma and the crop protection had mentioned, Rs. 2000 crores base is still very small. So, I am just trying to understand better from you because we have players who are on a larger base growing faster in India. And for a company that has as impeccable track record on regulatory front as what we have, why can't we do faster?

Anish Swadi: Yes, I mean, that's a great question. I mean, look, we are looking at what we have currently in the pipeline, what we are confident about and our focus is on delivering exceeding what we talk about. So, right now we are comfortable in giving this type of guidance. Obviously, we are working towards exceeding that over a period of time. But today, whatever we have defined visibility about is what we are talking about. So, eventually, that run rate will increase. Again, we have a good pipeline of products that have either been submitted to the client for validations across the businesses or are in the late stage in terms of the development phase. There's a relative uncertainty which is beyond our control in terms of where those products land, whether they actually go through commercial to market and that's beyond our control. So, when we look at our future growth projections, we have a discount rate which we use in terms of what potentially could come to market. So, using that is what the guidance we are giving you.

Aman Vohra: Got it. No, that's perfectly fine, sir. We have been investors in the company for 5 years. I just thought I would urge us to aspire for higher growth, which I hear you that we are aspiring for higher, but this is the conservative guidance which you are giving as of now. Perfect. Thanks a lot.

Moderator: Thank you. The next question is from the line of Sajal Kapoor, an individual investor. Please go ahead.

Sajal Kapoor: A quick question on this food ingredient, NCE, so two molecules that we launched, one in the US and one in the EU where we expect full potential or peak potential in next 2 years. I mean, would you be able to quantify what that peak potential is? It is Rs. 50 crores or it's Rs. 100 crores across both products. I mean, what's the sort of expectations that you have? What is peak? I mean, that's what I am trying to understand in terms of revenue.

Sameer Hiremath: Yes, these are pretty niche products. I think rather than look at revenue, we are looking at margins. So, there's a high margin, but niche molecules what we have done and very complex products. So, it's about Rs. 40 – Rs. 50 crores peak potential.

Sajal Kapoor: So, Sameer, when you say higher margins, I take gross margin rather than EBITDA, because that's a function of capacity utilization etc. So, at a gross level, I mean, is it North of 60% material gross margin, or is it not?

Sameer Hiremath: Yes, it's close to 60% last year.

Sajal Kapoor: And then given that we have a pipeline of Phase-3 and the NDA presumably have also been filed. I mean, you previously mentioned there are two KSMs in Phase-3. I know Anish mentioned that the focus is on the quality of the earnings and the margins. So, is it fair to assume that we are actively targeting projects where the material gross margins are no less than 60% and, in many cases, especially in the development phase of a molecule, I have seen companies reporting material gross margins as high as 80 and even 90%. And so, I mean, just wanted to understand your sort of take on the current pipeline, especially the Phase-3 and also the pipeline where the innovator has already filed the NDA.

Sameer Hiremath: If you look at our blended gross margin of the company, we are between close to 45% today. This is even after the pricing pressure in the crop business. And the generic part of our pharma business are some of the older molecules, right? As our portfolio moves to more niche, specialty-based products in crop, and also when we ramp up the animal health business and our pharma in NCE, so the new projects that are coming on stream in the next 2-3 years will be well in North of the current contribution margin that we have had. I don't have the correct number, but it will be significantly higher than where the blended contribution of the company is today. So, that will drive the blended numbers pretty high compared to where we are today. And the new inquiries are significantly higher in terms of contribution margin compared to historical numbers.

Sajal Kapoor: So, you're guiding for 10% to 15% in the sort of near term over the next 2-3 years kind of starting next fiscal. But when these new molecules launched, the workflow is, we all understand how the workflow works, right? I mean, you launch an NCE doesn't mean that it will reach its full potential in the market. It takes typically 3, 4, 5 years, give or take to reach the peak potential. And at that point in time, the reflection will be visible on the EBITDA margin. So, is it fair to assume that the best of margins are at least 5 years away, maybe Fiscal 29, even 30 for that matter, when these new molecules are scaling up full potential or near full potential in the marketplace?

Sameer Hiremath: I think they're starting about 3 years from now. The ramp up will start significant upside. And you're right, maybe 4 to 5 years is where the full potential will hit peak, but it will start after about 3 years. It could happen earlier, but I think our estimate is 3 years.

Moderator: Thank you. The next question is from the line of Rajvi Shah from Bright Securities. Please go ahead.

Rajvi Shah: I just have one question. What is the capacity utilization for pharma and crop protection, including the annual shutdowns?

Sameer Hiremath: Crop utilization is on the lower side, it's about 60% because of the demand contraction in the current scenario in crop. Pharma, you have done significant amount of shutdown because of, as part of our annual shutdown, also debottlenecking of our capacities for the future. So, we had to take shutdowns in the 1st Quarter. And that's why the pharma capacity utilization is about 65% for this quarter, which will increase in the Q2 onwards.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Sameer Hiremath for closing comments.

Sameer Hiremath: Thank you everyone for joining our quarterly earnings call and for your continued interest in our company. We appreciate your support as we navigate through the challenges of the global business environment. As we conclude this call, we want to assure you that we are here to address any further questions or concerns. Feel free to reach out to us on our Investor Relations partner, Strategic Growth Advisors. Once again, thank you for your participation.

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