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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: Q4 FY24 Earnings Conference Call Transcript**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith Q4 FY24 Earnings Conference Call Transcript.

You are requested to take the same on record.

Thanking you,

Yours faithfully,

**For Windlas Biotech Limited**

Ananta Narayan Panda  
**Company Secretary & Compliance Officer**

**Encl:** As above



## “Windlas Biotech Limited Q4 FY-24 Earnings Conference Call”

**May 21, 2024**

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 21<sup>st</sup> May 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 Q4 FY24 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 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.

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

**Hitesh Windlass:** Good morning, everyone and apologies for the problems and the clarity of the line.

I will start again and try to be quicker. Good morning, everyone and thank you for joining us today for our Financial Results for Quarter and year ended the 31<sup>st</sup> March 2024. We have uploaded the press release and investor presentation on our website as well as on the exchanges. I hope everyone must have gotten an opportunity to go through it.

Initially I would like to discuss the outlook and way forward followed by Financial Highlights for Q4 and FY24 of the Company which will be shared by our CEO and CFO – Ms. Komal Gupta.

During fiscal 2024, IPM witnessed a growth of the 7.6% with volume constituting 0.7%. We are very happy to share that your Company has achieved record growth of 23% in FY24. The strategic decisions made in preceding years, such as expanding our customer base and launching innovative products are yielding favorable outcomes in generic formulations CDMO verticals. In trade generics and institutional vertical also, your Company continues to focus on providing accessible, affordable and authentic medication to the underserved semi-urban and rural markets in India. Government policies that extend medical coverage to vast number of economically backward Indians through schemes like ‘Ayushman Bharat’ and ‘Jan Aushadhi’ are further accelerating our institutional purchases.

In March 2024, we commenced manufacturing at our state-of-the-art injectables facility which is built to meet international CGMP standards. This facility deepens our focus on complex dosage forms and chronic, sub-chronic therapies and shall cater to all three of our business verticals. The Company achieved its highest ever earnings per share in both FY24 at Rs. 27.97, YoY growth of 42% and in Q4 Rs. 8.17, YoY growth of 52% following its listing.

Furthermore, we have effectively improved our liquidity position, distributed dividends to our esteemed shareholders and generated substantial net operating cash flows. Our robust financial performance in FY24 and Q4 is a testament to our dedicated team, strong partnership and customer centric approach. We are confident in our ability to continue this growth trajectory and create long term value for all the stakeholders. 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 morning, everyone. Windlass Biotech remains focused on expanding our capability pursuing expansion in newer geography, driving innovation and delivering high quality pharmaceutical products to meet the evolving needs of our customers and patients. Our strategic initiatives and operational efficiencies, position us well for sustained growth and value creation.

We are delighted to announce strong FY24 financial results on the back of performance momentum seen consecutively across last five quarters. Q4 recorded 171 Cr revenue and 22 crores EBITDA, being thus the fifth consecutive quarter of highest ever revenue and EBITDA. The Company generated strong net operating cash flow of 109 crores during FY24 and had a healthy liquidity position of 206 crores as on the 31<sup>st</sup> March, 2024.

EPS stood at 27.97 and 8.17 per share in FY24 and Q4 depicting a YoY growth of 42% and 52% respectively. In line with our dividend policy, the Company proposed a dividend of 11.4 crores that is Rs. 5.5 per share related to FY24. The growth in generic formulation CDMO business vertical is driven by our sustained efforts to attract new customers, increase wallet share with current customers and launch of new products. This vertical achieved a revenue of 481.3 crores in FY24 with YoY growth rate of 19% and 127.8 crores in Q4, recording a YoY growth rate of 14%.

Trade generics and institutional vertical continues to be robust, propelled by wider product portfolio as well as expansion in distribution network across our target market. Government is targeting to increase Jan Aushadhi Store count by 2.5x to 25,000 by end of FY26. This will provide added impetus to our trade generics and institutional business. This vertical achieved a revenue of 122.4 crores in FY24 with a YoY growth rate of 35% and 34.7 crores in Q4, recording a YoY growth rate of 58%. Our exports vertical demonstrated revenue of 27.4 crores in FY24 with YoY growth rate of 38% and 8.9 Cr in Q4 recording YoY growth rate of 27%.

In the context of overall financial performance of the Company, the revenue generated during FY24 amounted to 631 crores, growth of 23% YoY and for Q4 we recorded 171 crores revenue, a YoY gain of 22%. The EBITDA for FY24 stood at 78 crores, an uptick of 30% YoY and Q4, 22 crores witnessing a growth of 34% YoY. The Company's PAT for FY24 amounted to 58 crores, reflecting a YoY increase of 37% and Q4 stood at 17 crores, a YoY rise of 48%. That's all from our side. We can now begin the Q&A session. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sudarshan Padmanabhan from JM Financial.

**Sudarshan Padmanabhan:** Congrats on great set of numbers. My question is to understand, we have basically added quite a bit of new clients in the last couple of years visibly, this is reflecting in our growth. Interestingly if you look at our growth and compare it to the IPM, we had grown three times that of IPM. Now with the client addition as well as the injectable facility that's come on board, how do we see the outlook for the CDMO segment in the near term as well as in the longer term?

**Komal Gupta:** We are experiencing a very good growth percentage for CDMO vertical. You have seen it in last 4-5 quarters and we continue to have a positive outlook on the CDMO vertical. We do not see any hurdles in external or internally. So, we have a positive outlook. We do not really give a specific guidance, but we stay optimistic.

**Sudarshan Padmanabhan:** So vis-à-vis the IPM, this 3x growth should continue or you just qualitatively things are in place, so the growth should be good?

**Hitesh Windlass:** I think what we are saying is that the growth is an outcome of all the steps that are being taken which are multi-pronged efforts in terms of developing and offering new products to clients, in terms of onboarding new clients, in terms of deepening the wallet share for clients that have been onboarded, in terms of getting more efficiency in supply chain and more reflexivity in supply chains. So, all of those things are the outcome of all of all parts of the Company working together. So, my sense is that we should continue to see this momentum and we have the results from last five quarters where we have been able to demonstrate that. So, no reason to think that anything different should happen. While all of this is being said we are again reiterating that we do not give guidance but the fundamental factors which are causing these results are in place and should continue.

**Sudarshan Padmanabhan:** On the injectable side, now the facility is available to us. As the volume progresses, I am sure that the complexity would improve, and the margins would expand. How do we see the kind of traction in terms of utilization of the capacity and also if you can give some color with respect to now that we are seeing volume traction in all the businesses and the injectable facility is with us, how do we see the margins as well as we move say the next 2 to 3 years?

**Komal Gupta:** As injectable peak capacity utilizations or optimal capacity utilizations are reached, injectables is a higher margin business. So that should surely add to the margin. Once we have reached the optimum capacity utilization level, overall EBITDA of the Company should surely grow. Injectables margins are expected to be high like mid-teens to late teens that is the range of injectables EBITDA. So that along with the oral solids 12% to 13% EBITDA, overall, Company margin should surely grow. That is one. In terms of capacity utilization, for oral solids we are at about already at 60% in the Q4. In Q4 we were at that level. From current facilities we can deliver up to 680 crores. We are working to have expansion in place. So, Plant 2 is being further expanded and from there we should be able to deliver further revenue of 120 to 125 crores. I would say that even beyond that the Company's target is to be ready in financial year '25 with a runway to reach 1,000 crores. So, we are very aggressively trying to have an additional facility in place for giving runway. We will be ready within this financial year to do all the CAPEX and

have the facilities ready within FY25 to be able to deliver 1,000 crores revenue. That is what we are looking at.

**Moderator:** The next question is from the line of Naman Bhansali from Perpetuity Ventures LLP.

**Naman Bhansali:** Congratulations on great set of numbers. My first question is on the trade generics business. So, what is driving the significant uptick in the trade generics during the quarter? As you mentioned, is it primarily driven by the push from the distributors, or it is a lot driven by the government order? And additionally, with what you have mentioned is 2.5 increase in the Aushadhi Store, what would be the current market size for us which is driving which we are for the Jan Aushadhi business?

**Hitesh Windlass:** Naman, so just to clarify, the trade generics and institutional business is a combination of the institutional tenders that we apply for and supply to and our own distributors across India which we are marketing and targeting the semi-urban and rural markets. The growth that we are witnessing is actually in all areas. We cannot say that there is only one area driving the growth. Both institutional and trade generics are growing. Of course, institutional between quarter to quarter, the tender when you receive that order and when you supply, there could be some quarter-to-quarter kind of variations but on annual basis this is a strong pull that we are experiencing. Number two, I want to also mention that while we do not provide the breakup between the distributor business and the institutional business, we are expanding our team, expanding our product portfolio and deepening our relations with our distributor network. So, all three of these are very important drivers for growing the business and that's why we are confidently pushing for this.

**Naman Bhansali:** And in terms of any market size which this business is in India currently for the Jan Aushadhi?

**Hitesh Windlass:** Currently Jan Aushadhi stores are about 8000. So, the government is looking to go to about 25,000 in 2 years. So that's why we are highlighting that this should become a bigger and bigger segment in the market.

**Naman Bhansali:** Second question is on the injectable side and a follow up from previous participants. So, since it has been commercialized in the first quarter of FY25, so what are the anticipated annual costs for this facility? And you've mentioned reaching at the peak optimal utilization and how many years would it take to reach them?

**Hitesh Windlass:** I think Naman, the right thing would be to evaluate both these questions at the end of this financial year because we are seeing a very good interest from customers on the facility, the way it has been created all of these things. We have an order book also in hand. We are taking stability batches. So anytime you take a new facility you have to generate stability data before the products are sold. So, against the commercial orders, we are taking stability batches and those are being put on stability. So as and when the stability data comes in, they will then be dispatched to the market. So right now, our focus is to bring as many customers and add select products for those customers to this facility. And slowly we are also going to use it for our trade generics

business. We are in parallel working on taking exhibit batches for some of our export markets also. So, this facility will serve all three verticals and therefore we have strong confidence that we will be able to make it a profitable business in injectables. But I think number wise we should wait until the end of this financial year to see how we have done.

**Naman Bhansali:** And lastly what will be the CAPEX outlook annually over the next...?

**Komal Gupta:** So, in FY25 for the Plant 2 expansion that I talked about, we expect a CAPEX of 15 to 20 crores and beyond that for reaching 1,000 crores, we are looking for facilities which can give us that. So, we do not know that CAPEX number as of now, but we expect that it should be in the range of 30 to 35 crores. Net-net, we want to ensure that the asset turn of the Company are maintained or get better at peak.

**Moderator:** The next question is from the line of Nitin Agarwal from DAM Capital.

**Nitin Agarwal:** Komal how much did we spend on injectable business from a CAPEX perspective?

**Komal Gupta:** 74 crores.

**Nitin Agarwal:** And secondly on the working capital, there's been a very sharp improvement in working capital this year. Largely, I think driven by obviously reduction inventory days and an increase in creditor days. So, how do you see the sustainability of these working capital numbers at these levels going forward?

**Komal Gupta:** So, if you remember, our September working capital days were around 33 and right now we are at 15. So, this is the range that we expect to continue. One quarter could be here or there but this is basically the range in which we should stay.

**Nitin Agarwal:** The year end numbers is what you think probably should continue with?

**Komal Gupta:** 15 to 33, within this range we should stay is what I was saying.

**Nitin Agarwal:** Secondly on the generic business, is it fair to assume that the overall at the EBITDA level this is a more profitable business for us than the CDMO business?

**Nitin Agarwal:** Yes, from a margin perspective, material margin for generics is higher because we are manufacturing on our own so, we have the manufacturing margin and as we are taking over, we are distributing also. So, there is that component too. So definitely, it is a higher material margin business from an EBITDA because it's allocation of the fixed cost. So, that's something that is a little bit this thing. But I feel that it would be correct to say that from a material margin perspective, definitely there is a higher margin business.

**Nitin Agarwal:** And Hitesh, when we participate in these government tenders, for example institutional businesses like the Jan Aushadhi business and all, still the profitability of the business is something which is attractive for us from our current business perspective?

**Hitesh Windlass :** Nitin, we typically participate in only those molecules where we are also doing CDMO, where we are also doing trade generics. So, it becomes a synergistic thing for us and when we increase the volumes in those molecules, our realization becomes better. So that's the reason why we have clubbed the institutional business under trade generics because it is important to keep the synergy between the products there.

**Nitin Agarwal:** On the trade generic business, earlier you have talked about almost 30%-35% we've delivered a (+35%) CAGR growth in this business over the last several years. Do we see still enough Runway for this business to keep continuing at these sort of growth rates for the next several years?

**Hitesh Windlass:** Yes. I feel Nitin that this is really more of a blue ocean thing where the market is really huge. The consumption in rural and semi-urban India is increasing very significantly. The awareness of price is also increasing very much because people can now check online the prices of product. And what we find is that the branded generic model is limited because you cannot have medical reps covering 6 - 6.5 lakh villages. So, it is by default covered through trade generics channels and we believe that there is a vast area for us to grow and I believe that there is no reason to expect at least at this small base anything otherwise.

**Nitin Agarwal:** Hitesh, on the CDMO business; now obviously this has been at some level inflection year of sorts for us the way growth has really played out. So, 2-3 things, one is (a) it is obviously there are multiple factors at play but what would you think would be the top 2-3 factors, more clients or more expansion in your product portfolio? What has really driven this and how should we think about growth or maintaining these kind of growth rates that we have this year in the business?

**Komal Gupta:** There are several factors as you are aware that we have been working for long. In addition to that probably this year and last year Q4 what we were able to do is also focus a little more in terms of execution, push, having the leadership team in place, who's then active. These are the additional things that played out very well for us this year and the long term things that we have been working on have started bearing the fruits.

**Hitesh Windlass:** And in addition, I would like to just state Nitin, that the government's emphasis on quality is actually playing out, even at the time of our IPO this is what was one of our important thesis that as quality pressures increase on a highly fragmented industry, organized and strong players like Windlas should benefit. And we believe that this structural transformation in the industry should continue and should have ability for Windlas to therefore grow.

**Nitin Agarwal:** But Hitesh, are you seeing on these lines' conversations with clients where probably people are looking to consolidate suppliers or probably give up some more of their business to more



competent players like you and sort of reduce their number of supplier base? Are those kinds of conversations beginning to happen more often now?

**Hitesh Windlass :** These conversations have been happening in the last couple of years in fact but it takes time for supply chains to change and so we see a continuation on this. Also of course, the new regulator has been very strict on companies who are not complying. And so, clients who are impacted because they have sourced from a small player who has been found non-compliant, then these clients they look for a solution, not just for that one product which is impacted but for their entire sourcing strategy. So, we think that this is an important factor and this will continue to play in the long run.

**Moderator:** The next question is from the line of Pawan Kumar from Ratnatraya Capital.

**Pawan Kumar:** I wanted to understand what at peak capacity, how much of revenues can injectables generate and at what kind of capacity utilization would this particular facility break even?

**Komal Gupta:** So, there is an asset turn of 1.2x of CAPEX that we are seeing at the peak capacity. That is what it can deliver which means around 90 crores.

**Pawan Kumar:** And what is the kind of utilization at which this unit breaks even? I am talking about in terms of EBITDA.

**Komal Gupta:** That is little.

**Hitesh Windlass:** That really depends on the product mix and eventually many other factors. So, very hard to say on that. That's why we were saying that we should evaluate at the end of the year where we stand on this. But what we do believe is that given the higher material margin in injectable business, significantly higher than oral solids and higher EBITDA, also the break evens for this facility should also be lower from a typical oral solid.

**Pawan Kumar:** The asset terms of 1.2x actually looks little bit on the lower side. So, I wanted to ask, is it like this facility is extendable in terms of capacity with some minimal CAPEX or how does that work?

**Hitesh Windlass:** Yes, we have one more floor that we have kept completely finished where machinery can be added and significant increase in capacity can be done.

**Pawan Kumar:** Can we go to 2x to 3x kind of capacity Mr. Windlass?

**Hitesh Windlass:** So, again it depends on the choice whether we want to just add capacity or maybe we want to add some more things like refill syringes or things other things like that. But yes, if we chose to only just go more higher capacity, we should be able to go to 2x or 2.5x.

**Pawan Kumar:** At a minimum CAPEX, maybe only half of whatever CAPEX currently has been there?

- Hitesh Windlass:** Yes.
- Pawan Kumar:** And can we expect some kind of maybe some 60% kind of utilization this year on this particular facility or would it be acting too much?
- Hitesh Windlass:** We are of course, pursuing all avenues to minimize the breakeven period. But we have to be also cognizant that this is something that we are bringing at the international standards and the sterile manufacturing is much more involved process.
- Komal Gupta:** So not giving any guidance as of now in terms of injectable. But we are trying to really fill the facilities as soon as possible. So, we are taking stability batches as they are ready. Once stability is complete then the revenue should start flowing. But we are not giving in terms of numbers any guidance.
- Pawan Kumar:** That's fine Komal. I just also one particular extension to that question would be like when do we expect the full-scale commercial production to start happening from this particular unit?
- Komal Gupta:** Commercial production has already started. However, the batches that are being taken for this, so the batches that we are taking are against the orders. So, we cannot really make the sales until the stability of these batches is complete. That's how it works.
- Pawan Kumar:** And how much time does it take to evaluate that? I am just trying to understand the cycle meant.
- Komal Gupta:** It takes 3 to 6 months stability depending on the product and the customer need etc., that's how it should go.
- Pawan Kumar:** And one last question. On the CAPEX side you mentioned 15 to 20 crores in FY25 and then some 30 to 40 crores to extend the current revenue potential to 1,000 crores. So, would this whole 60 crores kind of number would it be executed in next 18 months? Is that a fair assumption?
- Komal Gupta:** In fact, what we are targeting to do is to complete it within this financial year. So, within FY25 we want to complete this.
- Moderator:** The next question is from the line of Ashish from JM Financial Mutual Fund.
- Ashish:** On this injectable business, at what utilization rates would this facility be EBITDA neutral?
- Hitesh Windlass:** So again, very difficult question to say because when we measure utilization we measure it in number of units and different products have different profitability. The margin varies vary significantly depending on which product one has selected. So, you have to go with the product portfolio and eventually what volume comes is a function of how much you are able to focus on the high margin products versus some of the filler products.

- Komal Gupta:** The facility is also comparatively new for us. So as Hitesh was saying, maybe it makes sense to look at the picture at the end of the financial year. We don't want to mention the numbers that...
- Ashish:** And lastly on this 1,000 crores of revenue visibility, would it be fair to assume that in the next 2 years you're planning to hit that number?
- Komal Gupta:** That is something that we have refrained from doing. We are not giving guidance but you can see that we are trying our best to deliver good growth numbers, we stick to that.
- Ashish:** So, this 12.5% EBITDA margins that we did in FY24, even if there is a delay in pickup in the injectable facility, would it be fair to assume that these EBITDA margins would be maintained at minimum levels?
- Komal Gupta:** These EBITDA margins are fair for orals and solids business. Injectables how it turns out and how quickly we are able to pick up is something that we have to figure out.
- Moderator:** The next question is from the line of Sajal Kapoor from an individual investor.
- Sajal Kapoor:** Excellent cash flow generation this time around, this kind of adds to our cashflow pile. My primary question is, is the default capital allocation would be organic brownfield- greenfield for this cash or it can potentially be a mix of organic and inorganic?
- Komal Gupta:** Mixed, surely as we just mentioned that we want to...So our strategy has been that for organic oral solid business is what we want to build on our own. And for other dosage forms, we would be interested to do acquisitions other than injectables that we have now already put in place. So, we want to make injectables work. We want to keep avenue ready for growing oral solids and we want to acquire any other dosage forms facility and if possible, business that might be available for using this cash.
- Sajal Kapoor:** I would like to appreciate the management team for not giving any concrete guidance, not only on just this call even the previous ones. We have refrained from giving any concrete guidance. I think that's a great practice in a random and volatile world where outcome is very uncertain, so many moving parts. So, I really appreciate you guys sticking to not giving any concrete guidance because it helps ultimately manage our own expectations. Thank you for that. I have no other questions.
- Moderator:** The next question is from the line of Nimish Mehta from Research Delta Advisors.
- Nimish Mehta:** Just one question. I am little confused about the performance of the injectable facility. You said we are at an optimum level of capacity utilization and still not breaking even. So how do I take this because if we are at optimum level, isn't breakeven then not possible at all? How do you look at it?

- Hitesh Windlass:** I think there is some misunderstanding. Let me clarify. We commissioned this facility in the last week of March. That is when we took our first commercial batch and as a new business, we are required by the quality guidelines to any product that we manufacture, we have to hold those batches for a few months in stability testing and then release to market. So, while we have received orders and we are taking commercial batches already, these batches will be sold after the stability data is in. We were asked questions on this call about what is the optimum capacity and we did not provide a numerical answer. That doesn't mean that we are uncertain. So just wanted to clarify that.
- Nimish Mehta:** Are we at a stage where the revenue from this facility is yet not been booked at all because we are at the stability testing stage?
- Hitesh Windlass:** That is correct. The revenue shall be booked as the products are released after the stability data is corrected.
- Nimish Mehta:** And when you allude it to being at an optimum level, you meant about the stability testing? I mean that means given the stability testing number of products you are at an optimum is that how we should look at it?
- Hitesh Windlass:** No, we were asked that what percentage utilization will lead to breakeven. And that's what we decided. We said that optimum utilization is definitely known by us but we are not sharing.
- Nimish Mehta:** So, the capacity is not at an optimum utilization as of now, right?
- Hitesh Windlass:** Of course, one month ago the facility has started. How can we reach an optimum utilization in one month?
- Nimish Mehta:** One more question if I may. Just to understand the broader way the market is behaving. So, you have obviously added in terms of the number of clients, have we also added the revenue per product which means that there is no deepening as well?
- Komal Gupta:** You mean client wise how much revenue has been added, is that your question?
- Nimish Mehta:** Yes, so per client the revenue, has it gone up also significantly to add to the overall growth or it is more from new clients only? How do we rank order the growth between new clients and...?
- Komal Gupta:** So, we continue to work on adding new customers, so that revenue of course keeps on coming in. We also work on introduction of new products which we then pitch to the existing as well as new customers and we also add more products to the existing customers. So, it is the leeway growth comes from organically.
- Hitesh Windlass:** And initially when a client is added or onboarded, they typically will not give a lot of SKUs to any manufacturer. They will see the deliveries, they will see the quality, they will see the

sustained performance and then SKUs are added. So, the deepening is the second step which we continue to do with almost all clients. That is the way we want to definitely grow.

**Nimish Mehta:** Can you help us rank order? Let's say the growth that we achieved this year, the highest would be because of new clients or new products or how do we, just some ballpark relative understanding of where is the growth hike, maximum growth coming from?

**Hitesh Windlass:** I think that if I see, on the CDMO segment there has been a growth in volume with existing business from existing clients has grown. We have also seen a mix effect where more sales have happened on some products which contributed higher unit revenue and finally the number of new products added over the year to both existing and new clients has also been a significant contributor. That has been actually the largest contributor. So which is why I was highlighting that structurally customers are looking to source from organized and higher quality players like Windlas and we see that happening in the industry.

**Moderator:** The next question is from the line of Ankit Gupta from Bamboo Capital.

**Ankit Gupta:** Congratulations for great set of numbers. One thing I wanted to understand about the margins of our existing business. Even if we don't include the injectable business which is a relatively higher margin compared to ours. Is the role of operating leverage which can play out in our business as well as compared to our peers Innova Captab our employee cost is in much higher, as a percentage of sales we are around 14% while they are around 6%-7%, almost double is our employee costs as a percentage of sales. So in our base business, how do you think we see this operating leverage playing out when we scale up all the three businesses plus how do you see this employee cost as percentage of sales going forward over the next 2-3 years?

**Komal Gupta:** We cannot really comment on the comparison versus competitors. However, what we have been, the money that we spend on employees is what we consider as an investment as a strategy we expect. So, we have brought ESOP schemes, two ESOP schemes we have in place. We also have a variable model of extra incentive limit on achievement of various growth percentages for the critical employees. So, these are the things which we think have been instrumental in bringing the kind of growth for us and is also instrumental in delivering the kind of profitability growth as well. So, we want to continue to do that. We are not saying operating leverage surely, we expect that to come. You must have seen that as compared to last 2 years, our EBITDA margins have improved and we expect to maintain or get better in terms of EBITDA margin. That given we are not saying that we are specifically targeting employee cost to be reduced. Having said that the benefit of operating leverage should come in because at top like leadership building is what also we have been working on. So, with that some operating leverage definitely kicking.

**Hitesh Windlass:** And just to add to what Komal said, I think when you look at these ratios of employee costs, we also have to be a little bit mindful of what product segments the Company is operating in. So, for example if antibiotics have much lower gross margin and so that can lead to a higher base and therefore you would see percentage implied cost to be a lower number. We are not present

in antibiotics. So, that most of our therapeutic area focuses on diabetes, cardiovascular and gastroenterology and so these spaces are chronic, sub-chronic kind of spaces. So, the ratios will not directly compare to the extent that the therapeutic area focus differs between different companies.

**Moderator:** The next question is from the line of Shubh Jain from Emerge Capital.

**Shubh Jain:** Congratulation on a very good set of numbers. Just one question, any particular reason why a complex generic as a percentage of revenue has fallen from 76% to 64% on a year-on-year basis?

**Hitesh Windlass:** No, not really Mr. Ashok. These are sort of outcome metrics. So, they are basically being totaled across three business verticals. They are being totaled across a huge number of customers and huge number of brands. So, there's been no specific push from our side, or we don't even read a trend in here.

**Komal Gupta:** So typically, maybe when a new client is added, they start off with playing single ingredient products and then move on to complex. Since there has been a lot of addition of new customers, probably it might be the impact of that. With existing customers, we do not see really complex generics percentage going down.

**Shubh Jain:** But our margins are of course higher in complex generics as compared to conventional, right?

**Hitesh Windlass:** So, we have a cost-plus model right. That's in the CDMO space almost all players work on a cost-plus model. So, whether it is a complex generic or whether it is a simple product, it is our margins tend to be in a similar range. What does change is the customers stickiness as well as customers interest because when you are able to deliver some of the complex products then you are that much more engaging with the customer at a deeper level and that engagement leads to new business coming your way and so on and so forth.

**Moderator:** The next question is from the line of Rishi Kothari from Pi Square Investments.

**Rishi Kothari:** Most of the questions are asked by the participants but just wanted to get some guidelines on the order book size that we have for next 2 to 3 years. Is there any figure that you would like to tell?

**Hitesh Windlass:** No, we are not really giving any guidance on our order book side visibility. It changes very much across our customer base because multinationals have annual sort of a projection. Large Indian corporates work on quarterly and some of the smaller companies work on much smaller visibility. So as such we are not giving out that information.

**Moderator:** The next question is from the line of Nitesh Dutt from Burman Capital.

**Nitesh Dutt:** My question was regarding the tightening of Schedule M norms which we had discussed in earlier calls I believe. So, the government's notification, the directive by the government for all the manufacturing units to come under schedule and by January of next year I believe. What is

the cost of compliance for some of the mid to small sized manufacturers which had not been compliant earlier? So, the cost of converting the facilities and then the ongoing operation cost, if you can just give some color on that?

**Hitesh Windlass:**

The new Schedule M has been published I think almost 3 years ago, and it was made effective and now being enforced. The larger companies have to comply sooner, and the smaller SME guys have been given a little bit more time. But everybody has to comply. The regulators have done a lot of inspections and we see in the news also many units have been shut down because they were found non-compliant in critical perspectives. So why a unit becomes non-compliant with respect to Schedule M? There are broadly three factors. One is infrastructure. If you do not have the right facility design the heat ventilation, air conditioning system HVAC system, the water system, all of these are very critical and the new Schedule M has increased the bar in terms of what validation are needed in infrastructure. The second is actually practices. So, what kind of SOPs are followed, what kind of trained manpower is deployed, what kind of controls there are and this is again something that is both a capability challenge as well as a cost challenge for smaller companies because how do you bring in the right practices without hiring the right kind of people at the right cost. The third area where the cost or the challenge comes in is in maintaining. Once the standards are set up and the practices are put in, how do you actually maintain day after day the same level of quality for every product that comes out. So, you have to have then a very strong quality assurance function, a very strong quality control function and for Windlas, we are almost one in three employees is a quality employee. And we are already compliant to all Schedule M. Our customers have already audited us and verified these compliances for all four of our plants. And now even for the new injectable plant we are compliant with the new Schedule M. We have been audited by the state authorities as well as the regional authorities and that's how we have received the license for the injectable also. So, while we continue to lead, make sure that quality is a parameter basis which our customers have a peace of mind when they're working with us. They don't have to run about and hunt us down to enforce improvements in quality. That is why we believe is it's a challenge for smaller companies to improve both infrastructure, talent as well as practices. I hope I have answered your question.

**Nitesh Dutt:**

Yes, pretty much. Thank you for that.

**Moderator:**

The next question is from the line of Palak from MIV Investment Management.

**Palak:**

My first question is regarding the capacity utilization. So, 64% was for the entire year or you were mentioning for Q4?

**Komal Gupta:**

You are referring the debt for capacity numbers that you are mentioning?

**Palak:**

No, so capacity utilization for FY24 was 64%?

**Komal Gupta:**

They were around 60% for the Quarter 4. I will just answer, so for the year capacity utilizations for tablet and capsules was around 60% and pouch, sachet, liquid a little lower than that.

- Palak:** And our existing facility, so what will be the peak revenue from our existing facility before we commence our plant to expansion?
- Komal Gupta:** So, from current plan we can deliver up to around 680 crores or a little bit higher than that.
- Palak:** And the plant expansion, so we'll be starting the CAPEX now, so will that be available in that H2?
- Komal Gupta:** CAPEX for the plant expansion has already started. We expect that part to be ready in Q3.
- Palak:** So, from Q3 we'll start the commercial production from the plant expansion, is that correct?
- Komal Gupta:** Yes.
- Moderator:** The next question is from the line of Chirag Jain from Yogya Capital.
- Chirag Jain:** Congrats on great set of numbers. I had just one question. The PPT mentions that we own some IP of 99% of the brands that we sell. Why we are at 11%-12% of margins? That's what I was not able to reconcile.
- Hitesh Windlass:** The reason you're asking when you have intellectual property then why isn't the margin higher, right?
- Chirag Jain:** Yes.
- Hitesh Windlass:** I think the primary reason is that it is because the CDMO space, it is a cost-plus business. So, we work with the transparent and open cost sheets with our customers. So, what that does is, it allows us to even like if you have seen during the COVID and just tail end of COVID, there was a huge supply chain problem. The price increases for Metformin, Paracetamol, they went to 3x of those prices. But we could hold the same steady margins within the range of 11% to 12.5%. And that is where most of the industry in CDMO even though the product belongs to us, the regulatory permission belongs to us, the dossier is ours, the data is ours because we work on a transparent, we pass on the savings and also if there is a higher increase we also pass on that to our customers. That's why the IP is not resulting in a much higher real-life margin.
- Komal Gupta:** And the IP is of generic formulation . They are not really...
- Hitesh Windlass:** Patent formulation.
- Chirag Jain:** Second question was on the formulation CDMO side. So, we have been expanding our revenue from newer clients. But if I see your top 10 clients, the absolute amount of revenue of top 10 client is constant. Even though we have been able to capture more products from the older client. So, what is the reason behind that? Can you give some color on that?



**Komal Gupta:**

So, what we have been consistently trying to do is develop new customers and increase the revenue from the customers which have been with us for long. But the overall they were not part of top 10. So, what we have consistently worked on is the growth might not have necessarily come from the exact same top 10 customers. The top 10 customers revenue, customers might be different in the different periods. That is how in terms of math it's looking like the same revenue. However, there might be the customers who have developed who have more revenue.

**Hitesh Windlass:**

We are basically saying that in the top 10 this year there are one or two or three new names. We don't give out those new names but the composition of those top 10 clients is differing. So while we are capturing the concentration through this metric, we are developing new customers bringing them up and developing them into long term clients.

**Moderator:**

Thank you, 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.