



Date : May 21, 2024

To
Department of Corporate Services,
BSE Limited,
P J Towers, Dalal Street,
Fort, Mumbai 400 001

Scrip Code: 531569

Subject: Transcript of Earnings Call for the quarter and year ended March 31, 2024

Dear Sir / Madam,

We hereby inform you that an Earnings Call with the Investors and Analysts for the quarter and year ended March 31, 2024 was conducted on Wednesday, May 15, 2024.

Please find enclosed herewith the transcript of the Earnings Call. In compliance with the Regulation 46 of the Listing Regulations, the transcript of the Earnings Call will also be available on the website of the Company www.sanjivani.co.in

You are kindly requested to take the same on record.

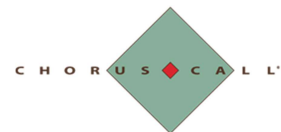
Thanking you

Yours faithfully,
For Sanjivani Paranteral Limited

Ashwani Anamisharan Khemka
Managing Director
DIN: 00337118



“Sanjivani Paranteral Limited
Q4 FY‘24 Earnings Conference Call”
May 15, 2024



MANAGEMENT: **MR. ASHWANI KHEMKA - CHAIRMAN AND MANAGING
DIRECTOR**
MR. SRIVARDHAN KHEMKA - DIRECTOR
MR. PRITESH JAIN - CHIEF FINANCIAL OFFICER

MODERATOR: **MS. JILL CHANDRANI - S-ANCIAL TECHNOLOGIES**

Moderator: Ladies and gentlemen, good day and welcome to Sanjivani Paranteral Limited Q4 and FY 24 Earnings Conference Call, hosted by S-Ancial Technologies Private 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 your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Jill Chandrani from S-Ancial Technologies. Thank you and over to you, ma'am.

Jill Chandrani: Thank you, Manav. Good morning, everyone. Welcome to Sanjivani Paranteral Q4 NFI 24 earnings conference call.

From the management we have with us, Mr. Ashwani Khemka, Chairman and Managing Director, Mr. Srivardhan Khemka, Director and Mr. Pritesh Jain, CFO. Now I request the management to take us through the key remarks, after which we can open the floor for question-and-answer session. Now I hand over the call to Mr. Srivardhan for his opening remarks. Thank you and over to you, sir.

Srivardhan Khemka: Thank you, Jill. Good morning, ladies and gentlemen. A very warm welcome to all of you for the Q4 FY24 post-result conference call of Sanjivani Paranteral Limited. Before I begin, let me mention the standard disclaimer.

The presentation that we have uploaded on the stock exchange, including the interaction in this call, contains or may contain certain forward-looking statements concerning our business prospects and profitability, which are subject to some uncertainties. And the actual results could differ from those in such forward-looking statements. Let's begin with a snapshot of who we are.

Sanjivani Paranteral is a WHO GMP certified core pharmaceutical company and a pioneer in the manufacturing of injectables and oral solids with an extensive experience spanning two and a half decades. Our company primarily focuses on life-saving drugs and exports to over 25 countries. We are headquartered in Mumbai with WHO GMP certified manufacturing facility in Navi Mumbai and Dehradun.

We cater to major therapeutic areas encompassing central nervous system, cardiovascular system, antibiotics, gastroenterological, anti-diabetics, anti-allergic, supported by a robust R&D setup. Recently, by means of two joint ventures, we joined forces with Hindustan Antibiotics Limited and Alivia Healthcare, which is a Prague-based company. In this financial year, the company completed the fundraising successfully.

Moving ahead, I will hand over the call to Mr. Pritesh Jain for sharing the company's financial and operational highlights for the last quarter and the full year FY24.

Pritesh Jain: Thanks, Sri. So, for the current quarter, that is the Q4FY24, our revenue grew by 58% year-on-year to INR128.6 million. The growth was mainly on account of addition of new geographies and the new products, which were in the pipeline and now resulting into the numbers.

Our EBITDA margins were at 17.2% compared to 17.1% in Q4FY23. The net profit for the quarter increased 26% year-on-year to INR12.6 million. While the PAT margins were at 9.8% as compared to 12.3% in Q4FY23. Segment-wise performance, the revenue from injectables grew 52.9% year-on-year. The oral segment grew at 66.2% while the nutraceuticals revenue grew 137% year-on-year. The revenue mix for the quarter was 30% in domestics and 70% in the exports.

Financial year 24 whole 12 months. For the year, our revenue grew 53% year-on-year to INR544 million. The growth was primarily on account of addition of new geographies and the new products, which were into the pipeline and now resulting into the numbers. EBITDA stood at INR87.6 million as against INR61.9 million in FY23. This was majorly due to the new products being introduced, which had lower margins at the initial stage and the same would improve in the coming quarters due to the operational synergies.

The net profit grew at 37% year-on-year. The revenue mix for the FY24 was at 35.5% in domestic and 64.4 in exports. In FY24, the company added 15 new products and the total count as of 31st March 24 stands at 145 products. The company plans to add 15 to 20 products in the coming year. During the FY24, we expanded our geographical footprint and entered new six geographies.

The current status for the HAL project is on track as it was planned. The current status for the Prague joint venture is also on track and the trial runs are in progress. The planned capex for the FY25 is in the range of INR6 crores to INR8 crores for the existing facilities. The overall FY25 outlook on the revenue growth would be in the range of 20% to 25% and the gross margins and EBIDTA would grow at the current run rate. That's it all from my side, we now open the session for questions and answers.

Moderator: Thank you very much. We will now move to the question and answer session. We have our first question from the line of Ishita Jain from Ashika Stock Broking.

Ishita Jain: Hi, Srivardhan. Hi, Ashwani. So, my first question is on the Dehradun plant. Can you comment as to what the capex capacity utilization has been for FY24 and going forward, what are our expectations from the plant?

Srivardhan Khemka: Yes. Hi, Ishita. So, the Dehradun plant is performing well. Currently, again, operating at around 40% to 45% capacity. The capex, which is happening in this plant, we are triggering a lot of inspections from the African and Latin American markets. We see the capacity utilization go up to 65% to 70% in the coming quarters and maybe the next financial year as well.

Ishita Jain: Got it. And can you also comment on the plant upgradation that was going to happen both in the injectable plant as well as the Dehradun plant?

Srivardhan Khemka: Yes. So, both the plants are going on upgradation. So, as and when the guidelines get updated, recently the Schedule M GMP has also upgraded itself to the WHO GMP standards and most of the foreign regulatory bodies are going at par with PIC/S and EU GMP level. So, we are upgrading our plants to meet those guidelines. This is happening by the way of adding technical people as well as testing equipment, production equipment, which improve the quality of the medicine as well as the output.

Ishita Jain: Understood. And my final question on the manufacturing side would be on the Prague project. I think last call you had mentioned that March is when we are expecting things to normalize in terms of logistical issues. So, can you comment on that?

Srivardhan Khemka: Yes. So, as you may be well aware, the situation in the Red Sea has not been resolved completely. So, the logistical problems still continue to exist. In fact, in the past couple of weeks, we are seeing sharp rise in the freight costs as well. Keeping that aside, the Prague project is on schedule. The trial batches are now on. The machines are under the performance check and we are expecting the complete operation to begin by the month of June. Validations have to take place. So, that is what's happening right now.

Ishita Jain: Got it. So, we are on track for recognizing revenue from the Prague plant in second quarter FY '25?

Srivardhan Khemka: Correct.

Moderator: We have our next question from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Thank you very much. Sir, just to carry on from where the previous participant left. So, her questions were more like near term. So, if we can extend the timelines a little further, over the next two, three years, can you give us a rough estimate of the various events which will be happening? So, for example, the plant getting upgraded. So, when do we see the first revenues? And then on the JV side, when do we expect to see the first revenues? Commercialization of various projects that you have undertaken.

Srivardhan Khemka: Right. So, the existing plant, the upgradations are going on, side by side with the production. So, the revenue will start coming in once the upgradations are done, the inspections are triggered. Once the inspection happen, then there is a compliance timeline, which is approximately two to three months, depending on the country. After that, we start filing the dossier.

So, I believe that the revenue expansion, which comes from upgradation of the plants, will be seen in the next financial year. Current year, the growth will be happening in the existing markets where we are already present. Regarding the new ventures, as I said just to the previous participant, from the second quarter of this financial year, we are going to see the revenues from Prague.

And for the Hindustan Antibiotics JV, we are going to see the revenue in the last quarter of this financial year. That project is also on schedule to get constructed and everything is running on time as of now.

Agastya Dave: So, how do you see, when the two JVs start operating, how do you see the ramp up happening, sir? Would you be reaching 50% utilization within a year or would it take longer?

Srivardhan Khemka: So, both of them are different kinds of businesses. The Prague project, the capacity utilization is a little difficult to comment, since it is, very customized. So, it all depends on the kind of product mix that we get, the kind of volumes that we get, the kind of customers that we get.

On the IV project, the capacity utilization we are estimating is around 80% in the first year. Since it is an IV manufacturing unit, it is basically a continuous process. So, the factory has to run. We are estimating 80% on the conservative side, keeping in mind all the, teething problems that we might face in the beginning.

Agastya Dave: Which of the regulatory approvals will come in time to ensure that you can approach 80% utilization, even on an exit basis? Because the regulatory approvals are taking their own sweet time, right? Regulators all over the world are taking their own sweet time.

Ashwani Khemka: Yes. Hi, Mr. Dave. The regulatory approvals, right, takes a lot of time. And our plants, which are existing in New Bombay and Dehradun, both are WHO GMP, since the inception. So, we have a track record of the quality and the stability of our products in the market very well. And now we are entering to PIC/S market and Latin American approvals for the few countries. Like we have approvals from Latin American, two, three countries already in place with us.

And we are exporting to those markets. And after this upgradation and all, we will be adding seven to eight more countries from the Latin and one or two countries in the PIC/S countries. So, these are the ongoing processes. And in the current quarter, we have inspections due, which will happen in the month of June. And due to COVID, they could not come and travel for inspections. So, they were delayed.

So, looking to the track record of the companies, they gave the extensions. And now, since everything is open, so they are traveling to countries for inspections. So, we are ready with that and things will be in a better position.

Agastya Dave: Sir, one last question from my side. Sir, we have such a large portfolio of products and relatively we are still a smaller company. So, I was just wondering, individual products that you are selling, individual markets that you are selling, how many of them are actually profitable? Because the scale must be like really small. So, I'm just wondering how many of them are actually profitable?

Ashwani Khemka: See, what happens for ongoing pharmaceutical companies, you have to add 15 to 20 products every year, so that your product basket goes up to more than 500 products in your basket. Every product cannot be profitable. Some are profitable to the duration of the time, availability and shortages. Some are perennially new products, which has a profitability for first two, three years. And some are me-too products.

We cannot select the basket which are profitable in the market, and you have to have a mix of products which are in demand with the tender business and everything. So, this product basket has been developed in last 2 years and 3 years and those are in commercialization stages and

registration processes takes a long period. So, these are in the processes. So, in coming 2 years, 3 years all the products will be giving the revenue and the base levels to the company.

Agastya Dave: Sir, what is the inflection point for individual molecule in terms of scale that if you cross, let's say for example USD 500,000 for a molecule in a particular geography and beyond that you start making a really good money because the entire loss margin is flowing into the EBITDA. It's taking care of all the overheads. So, what is that level for you based on your cost structures?

Ashwani Khemka: What happens is the registration cost is same to every company, but it depends it takes time for development and documentation and validation things are added newly. Different countries have got different pricing like Latin America, Central America there are far countries from here. So, their pricings are better. If you are selling in Southeast Asia there are too much competitions here.

So, companies suppose we are having 50 companies to 60 companies approvals in Latin America in Southeast Asia we will be having 300 to 400 countries. So, we cannot keep these markets dry without supplying. We have to be in both the places something that product will have understood that is how we work.

Agastya Dave: I got the point sir. Thank you very much, sir. It looks like the progress is very good, sir. All the best for this year. Thank you.

Moderator: Thank you. We have our next question from the line of Vedant P from Credent Asset Management. Please go ahead.

Vedant P: Yes. Hi. Sir, my question is regarding our JV with Hindustan Antibiotics. Sir, we have got the order from them and we would start our operations and numbers would be there from Q4 FY25. I just wanted to understand that we would be getting repetitive business from them and is there a time period that is defined by them or how would that go on in terms of order book from Hindustan Antibiotics?

Srivardhan Khemka: So, as per the agreement with Hindustan Antibiotics there is a confirmed purchase agreement with them. So, that will be on a monthly basis. They will be issuing us orders and we will be supplying it to them. Whatever is the overflow from that order we will be supplying in the open market. Now, the agreement is there for the period of 13 years and it is renewable after that. So, the longevity of the business is there.

Vedant P: Okay. And is there also a possibility that HAL gets into such an agreement with some other company as well in future if they want to have an increase in demand?

Ashwani Khemka: No. See, in this IV infusion plant in Maharashtra state there is not a single IV plant. This is the first plant going to be in operation. And HAL when signing the agreement, if they want to increase the capacity or anything we have the first right to apply for the increasing in the capacities and setting up the facility second plant.

- Vedant P:** Okay. So, there is something that is mentioned in the agreement that we guys have the first right?
- Ashwini Khemka:** Yes.
- Vedant P:** Okay. All right. And sir, if you can give some guidance in terms of our gross margins and also the Prague numbers that would be added in the PAT numbers?
- Pritesh Jain:** So, the gross margins would vary at the current run rate which we are going. And as far as the Prague margins are concerned, it should be to the tune of INR2.5 crores to INR3 crores for the whole financial year.
- Vedant P:** INR2.5 crores to INR3 crores.
- Pritesh Jain:** Correct. And that would be in consolidation at the bottom line. So, revenues won't be consolidated. It's only the bottom line to the extent of our shares will be getting into our PBT numbers.
- Vedant P:** And our share would be INR2.5 to INR3 crores of profit from the Prague business?
- Srivardhan Khemka:** Correct.
- Vedant P:** And this would come into, this would be showcased from when, sir?
- Pritesh Jain:** It should come from the second quarter of the current financial year.
- Vedant P:** And sir also one last question. In terms of pricing of the IV liquid.. There's a lot of difference between pricing between exports and the Indian market. So, what probably is the reason for that major difference and we would be looking forward to more of exports in the future or we would stick to the domestic markets?
- Ashwani Khemka:** See, you very rightly said an IV market is a very volatile market in terms of pricing. We have an advantage because our plant is very near to the port which no plant in India is very near to the port. We are near to JNPT from our facility from Pune it is hardly 2.5 hours. Transportation cost plays a major role in this.
- Export market, we have an advantage because we are present in 22 countries already and wherein our existing customers are there and they are not currently distributing IV fluids of any other company. Regarding the government supplies also, since it's a PPP model, so then we have an advantage on the prices.
- Suppose, for example, in India a tender comes out and the price of a normal saline or a dextrose bottle is around INR14 to INR15 rupees whereas in the PPP model we have a price of INR22 fixed which is more than 20% to 50%.
- Vedant P:** So, sir, in future is there a possibility that if the pricing difference between exports and domestic market reduces then all the people who are currently exporting they would also come in as a competition for the domestic market or the pricing difference would remain?

- Ashwani Khemka:** No, see, currently the requirement of IV bottles in India is 768 crores bottles annually and the production capacity is 510 crores as of today. In 510 crores people are exporting also and supplying locally also. There is scarcity of demand in major states of North India, Eastern India, and Northeast areas.
- Vedant P:** No, but pertaining to my question, that if the pricing difference, like there are many players in India who are currently just exporting the product and they're not using it domestically because the prices are higher in the export market. But if the pricing difference between export and domestic reduces over time, will there be a case that people would start supplying domestically instead of the export market or you believe that the pricing difference would be there between exports and domestic?
- Ashwani Khemka:** It will always be there for exports and domestic. And the demand of our domestic market is increasing exponentially and there is a shortage everywhere. And as I told in my earlier answer to you, that Maharashtra state, this is the only plant, and if you go down south up to Kerala, there is no IV plant in this region. And transportation cost plays a major role. And we will be having an advantage of a PPP model. So, we have a priority of supplies to any government hospitals.
- We are the first to be given. And unless we say no, then it's open to other companies. And these companies who are there in the export markets, so they have commitments and agreements are there for years. So suddenly they cannot come here and suddenly they cannot go there. So, these are tender-based and tied-up markets.
- Vedant P:** Understood. What is the reason for such a high volatility in the pricing for IVF?
- Ashwani Khemka:** The government has given special prices to the PSUs which are manufacturing for them. And for open market it was less. To PSU they had given high rates because for their survival in the earlier stages. So those prices are fixed since they could not manufacture and to survive their assets and everything. So, these prices were given by the government. And there are 128 products in the market which PSUs manufacture and they have got a special pricing from the government.
- Vedant P:** No. I was talking about in terms of the export market and domestic market there is a huge difference. So, what probably is the reason for that huge difference?
- Ashwani Khemka:** The huge difference is because it's a regulatory approval. And if you have a plant which is at approval by the regulatory authorities of that country then only you can export. And manufacturing of IV is very difficult in those countries and cost. So, they prefer to buy from our locations and once the approvals are there so we are going to get a better pricing. If you are supplying to, for example, Nepal, Sri Lanka will not get a better pricing. If you are supplying to Middle East, East European countries, Latin American countries, your pricing are better.
- Vedant P:** Okay. All right. Understood sir. Thank you so much for the responses.
- Moderator:** Thank you. We have a few questions on the line Richa Punjabi, an individual investor, please go ahead. Richa, are you there?

- Richa Punjabi:** I just wanted to ask you, how does a CDMO business function in the domestic market? Like what is the outlook for the next 2-3 years?
- Srivardhan Khemka:** So domestic market, our presence in the CDMO business is pretty small and right now we are working on very few special molecules with reputable companies in India like Macleods and Gland Pharma. It's not a focus area for us, so we see the business stable and growing gradually. Overall, on the industry, if you ask, there are a lot of companies who have come up in these past 3 years in COVID which were enjoying the relaxation of registrations across the world.
- Now those registrations have gone away since the COVID has gone away and regulatory inspections are back online. So, these companies are starting to sell in the domestic market. So, there is a lot of pricing pressure in the domestic market and that's why we have kept away from it. We focus more on exports since we have a long-standing reputation and track records, so we enjoy those margins in export.
- Richa Punjabi:** Okay.
- Moderator:** Thank you. We have our next question from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.
- Madhur Rathi:** Thank you for the opportunity, sir. Sir, I wanted to understand what would be the scale of our business with these two JVs coming in, so what kind of incremental revenues as well as will there be any margin accretive from these contracts?
- Srivardhan Khemka:** So, on the Prague front, since we are a minority shareholder, it will be coming on a PBT level, so it will only add on to our margin. But on the JV of HAL, we are the majority shareholder. So, after consolidation, we are looking at in this year, we see one quarter of revenue coming in from HAL. So, we estimate around INR20 crores - INR25 crores of top line and around 18% of EBITDA margin.
- Madhur Rathi:** Okay. Sir, you mentioned that our gross margin and EBITDA margin will be in the current range. So can I expect a gross margin of around 50% and EBITDA around 17%-18% going forward?
- Srivardhan Khemka:** Yes. So this year, as we said, we have added quite a few products this year. So in the initial phases of a product, the margins usually tend to be thin. As and when we get more comfortable, we establish better supply chains, the margin expands. So looking at what we are adding on in the FY'25 and what we already did in FY'24, we can see the margins stay at the same level around 17-18.
- Madhur Rathi:** Okay. So just a final question. So where do we see our business 3 years down the line in terms of revenue, in terms of our J;V and in terms of the product mix going forward?
- Srivardhan Khemka:** So, three years down the line will be FY'27. That is a little too far to comment right now. On this year, I can say that we are targeting around 20%-25% growth on the revenue front in the base business and one quarter of HAL will be coming in. So, on a console basis, we look at

around INR90 crores on the top line. Along with Prague, which will be coming in at the bottom line, we can say INR12 crores-INR13 crores will be the bottom line.

Madhur Rathi: Thank you, sir, and all the best.

Moderator: The next question from the line of Raunak Agarwal an Individual Investor.

Raunak Agarwal: So, I just wanted to ask you that can you help me with the understanding about the market dynamics of your export business in Latin America, Middle East, and Africa? And how do registration and sales happen?

Srivardhan Khemka: So, there are two to three different kinds of actions here. Some countries, they require plant approval. Some countries operate on the certification of WHO GMP. So, we are present in a mix of both. Now wherever we have plant approval, then you trigger the product registration. Once you get the registration, then the business begins. Same is for the Middle East and Africa, and same is for Latin America.

Raunak Agarwal: Okay, and how many relationships do you have and what are the milestones and what is the potential for the next two, three years?

Srivardhan Khemka: As I told you, two, three years is a long forward outlook. We are in the process of upgradation of our plant. So, we are triggering a few audits. How they go, how much time they take will all impact our numbers. So, it is too early to comment on those. On a year-to-year basis, I have answered to the previous participant as well. In terms of registrations, we are standing at around 180 active registrations that the company holds as of now. And we are filing 15 to 20 every quarter.

Raunak Agarwal: Okay, got it. Thank you so much.

Moderator: We have a follow-up question from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: So, this Hindustan Antibiotic business, so this INR100 crores, INR80 to INR100 crores of a yearly run rate we are expecting. So, this is on a fixed-price contract with the government or this will be considering the open market operations only there?

Srivardhan Khemka: It will be a mix of both. The government has committed to buy a certain quantity. But on a verbal note, they have said that they will be buying the whole. So, we have estimated this on a mix of the open market as well as the government.

Madhur Rathi: And so, this capacity can go to 100% of our utilization, right?

Srivardhan Khemka: Correct.

Madhur Rathi: And this final question, sir. So we see that the IV line, we are the first one in Maharashtra, as well as till down south, there are not many peers in this segment. So why is that? And do we see additional capacities coming in that might create a rising pressure from the government or the open market as such?

Srivardhan Khemka: So, the reason there is less competition in this industry right now is because first of all, it is very capital intensive to enter. Second, the quality parameters of IV solutions is very difficult to maintain. We have a history of manufacturing parental products for the last 30 years. So, we know the nitty-gritties of how to manage this production. Yes, definitely, there are new people entering the market. But as you may understand, IV is a voluminous product.

So, transportation is a big part of the cost. So, every plant can supply competitively to a radius of around 300 to 400 kilometers. So, I think there is a lot of room to come in. And right now, the capacities which India requires and which India has, there is a huge gap. So even if a lot of competition comes in, we don't see the pricing pressure coming in because there is a lot of space to grow.

Madhur Rathi: So just like a follow-up question on this. Sir, what was the investment that we have made in this plant?

Srivardhan Khemka: So the total investment is around INR30 to INR35 crores, out of which we will be making the 60% investment. There are other partners involved in this project. They will be making the rest. It is all as per the proportion of the shareholding.

Madhur Rathi: Okay. And just one final question on the future outlook. So, since we have the technology, know-how and the quality parameters on manufacturing these kind of products, and India is in a deficit for this product. So, on a future projection, are we planning to open up new plants from this once the Pimpri, Pune plant stabilizes?

Srivardhan Khemka: Definitely. It looks like a very lucrative business. And if things are successful, and as per our estimation, we will definitely go ahead with more.

Moderator: We have our next question from the line of Vignesh Iyer from Sequent Investments.

Vignesh Iyer: My question is in line with understanding the JV with Hindustan Antibiotics. So, when we are guiding for quarter four, one quarter contribution of around INR25 crores, we are taking into account that this will be running at 80% utilization to deliver the INR25 crores, right?

Srivardhan Khemka: Correct.

Vignesh Iyer: Yes. So in same line, so basically once this starts coming from quarter four, it will be every quarter, we would be expecting somewhere around the same number, right? For the year FY '26.

Srivardhan Khemka: Correct.

Vignesh Iyer: Fine. So is this the amount of contract that we have with Hindustan Antibiotics to supply or would this get scaled at any point of time?

Srivardhan Khemka: As of now, this is the purview of the contract. But we have had discussions with them, which Mr. Ashwani Khemka can give you an update on.

Ashwani Khemka: IV is a very generic business. Since we will be operating this thing as a new for first year, and then there will be new addition of new products and new therapies, which are currently being imported from world over. This will be manufactured in this plant and that approvals and permission will take around one and a half to two years to get the licenses and manufacturing. If we are manufacturing those products in our factory and we get the approvals, so the current IV price, for example, it is INR17 to INR18 or INR20, that is around INR90 to INR100. So you can understand what can, what mix can happen and what future out of happens.

And regarding the expansion, we are just going to be first PPP model with the government of India. And after our success, they have decided also and they think it may expand and they have a lot of space and buildings available which can be expanded. First right is with us. If we deny, then the new entrant can come in.

Vignesh Iyer: Okay.

Ashwani Khemka: Am I clear to you?

Vignesh Iyer: Yes, it is clear, sir. Thank you for the elaborate explanation of the same. And I just wanted to understand the tax side of it. What would be our tax rate going ahead in FY '25?

Pritesh Jain: It would be in the range of 25%-26%.

Vignesh Iyer: Okay. Because we close this year around 19%, if I'm not wrong. So, we are going back to the normal tax rate of 24%-25%, right?

Pritesh Jain: Correct.

Vignesh Iyer: Yes. Okay, sir. Thank you. And that's all from my side and all the best.

Moderator: Thank you. We have our next question from the line of Prateek Chaudhary from Saamarthya Capital. Please go ahead.

Prateek Chaudhary: Hi. Good afternoon, sir. This is - so FY '25, the INR12-INR13 crores that you mentioned, that is our share of the profit, right? After accounting for the minority interest.

Srivardhan Khemka: INR12-INR13 crores is the console level on the company. Yes. Of course. Accounting for the minority interest. Correct.

Prateek Chaudhary: Okay. And could you give us some colour on FY '26? So, 100 will be coming from Hindustan Antibiotics. And then would the base business also be growing at more than 25% for us? For FY '26?

Srivardhan Khemka: It's a little early to comment on that. Again, as I said, we are in the process of upgradation. So, you can say 15 to 20 on a comfortable level will, of course, try to stretch to your expectations.

Prateek Chaudhary: And does a INR200 crores number look difficult for FY '26 on top-line?

Srivardhan Khemka: If things go according to plan, we may achieve it. But again, it's too early to comment.

Prateek Chaudhary: Okay. And just as Sir had mentioned regarding there being a lot of space available at Hindustan Antibiotics and we may look at other capacity additions as well. So the ones that are in the near term, I understand that those other import products would probably take 1.5-2 years for approvals and manufacturing. But are there other products or the same product where we could expand capacity in a very significant way in the near term post our successful plant commercialization?

Ashwani Khemka: Hi. The IV fluid needs a lot of land space and the constructed space. So we have an advantage here that our plant is going to be operational say by end of the third quarter.

And the results are there in the fourth quarter of the year. Expanding of this is very easier because we are hands down and our technical team which is working with us and we there employed with the company are very well versed about the market and the construction and the setting of the facilities. Now for new products development, we are going to set up a small R&D also in HAL Premises, which will be applying for the new product licenses with the Government of India.

So that process takes around 1-1.5 years. So once those are in place and they are more profitable, those things will be made here and the need to general purchase is made as a separate setup. The capacity can be expanded, which is there in the contract also.

And same facility can, currently we are going to produce around 5 million bottles per month. And it can go up to, with expansion and certain capex, it can go up to 8-9 million per month with a small over the capex of around INR10-INR12 crores.

Prateek Chaudhary: Capex of INR10-INR12 crores you said? I could not hear you sir.

Ashwani Khemka: For additional expansion of the capacity, INR10-INR12 crores is needed for further expanding from 5 million to 8 million.

Prateek Chaudhary: Got it. And 5 million per month roughly translates to INR80-INR100 crores of annual revenues.

Ashwani Khemka: Yes, yes, yes. On the current product mix.

Prateek Chaudhary: Okay, okay. Great sir, thanks a lot. Thank you.

Moderator: Thank you. A reminder to all participants, you may press star and 1 to ask questions. A reminder to all participants, you may press star and 1 to ask questions..

Ladies and gentlemen, we have a question from the line of Anupam Agarwal from Lucky Investment Managers. Please go ahead.

Anupam Agarwal: Yes, hi, good afternoon. Thank you for the opportunity. So my question is on the cash flows and the working capital. We've done about a negative INR11 crores cash flow operating level. Seems to be the entire money getting stretched working capital. Can you give some color as to what is the working capital that you see across the business?

- Pritesh Jain:** So, the working capital, as of now, we are pretty much comfortable. Even after considering the whole of capex for the HAL Pune plant and the working capital required for the HL plant, we would be very much comfortable. We may or may not be at a stretch, as you suggested. That is what we foresee.
- Anupam Agarwal:** So if I have to break it down between the business segment, what will be the average working capital cycle in the base business and the HAL business as contracted?
- Pritesh Jain:** So the average working capital cycle for the HAL business should be in the range of around 50-70 days. And for the base business, it should be in the range of 60 days-70 days again.
- Anupam Agarwal:** Understood, understood. So there is a sharp jump in inventory and receivables this year. Can you elaborate the reason behind that?
- Srivardhan Khemka:** Yes, so sir, actually regarding inventory, due to the shipment situation in the Red Sea, a lot of the vessels are not coming on time. Earlier, there were vessels to all our destinations once a week, but now it has gone to, once in 10 days or once in 15 days. So due to which we are struggling to find the containers to ship our goods out.
- So it is momentary. It should be resolved in the next financial year. Regarding the receivables, again, the same situation because of the uncertainty of the political scenario in the Middle East. This is happening. Again, it should be regularized in the next couple of quarters itself.
- Anupam Agarwal:** Understood. And just a bookkeeping question, sir. Our other expenses item for the quarter is about four crores. Is this the base that we should look at?
- Pritesh Jain:** Yes, we can have this as a base.
- Anupam Agarwal:** And the jump from INR2 crores to INR4.5 crores, is there a line item that we should read through?
- Pritesh Jain:** No, sir. If you see the jump in the revenue and the jump in the expenses, those are in sync as far as the ratios and the proportion goes.
- Anupam Agarwal:** No, sir. Other expenses used to be about 20%, 24%, which has shot up to 36% in the Q4 as a percentage of revenue. The reason behind is what I'm asking.
- Ashwani Khemka:** The expenses jumped in this last quarter is the inspection and the cost for audits which are going to happen in this quarter. And these are the expenses for certain expenses which cannot be capitalized. So those charges are there in this activity. And registration costs, which has not been capitalized, which will be done later part. Initial sampling and the validation testing charges have come in this quarter. But if you see the overall year, the overall year will be the almost same level and it's small expenses on the employee cost and all these things.
- Anupam Agarwal:** Yes, sir. I got the answer. Just one last clarification. In your opening remarks, sir, you mentioned a INR6 crores, INR8 crores capex that you have planned for FY'25. This is purely for accommodation of Dehradun and Navi Mumbai plant?

Srivardhan Khemka: Yes.

Anupam Agarwal: Okay. And any pending capex for the HAL plant? Or is that all capitalized?

Ashwani Khemka: No. It will be capitalized in the current year. It's an ongoing process. And that is a...

Anupam Agarwal: Okay, understood.

Ashwani Khemka: It will be... Once it's complete, then it will happen.

Anupam Agarwal: Okay. And INR35 crores capex is what that is planned and 60% will be our share?

Ashwani Khemka: Yes.

Anupam Agarwal: Okay, got it. Thank you so much and wish you all the best. Thank you.

Moderator: If there are no further questions, I would now like to hand the conference over to the management for closing comments.

Ashwani Khemka: Yes, I thank you everyone for attending our phone call on the year-ended and the quarter-ended March 24. And we thank you all for listening to our story and developments. And we assure that we are very much bound to have the value for the stakeholders and the company on the right track and right path and future quarters and future years will be better. Thank you once again.

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