CONCORD BIOTECH LIMITED

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August 20, 2024

To	To
The Manager, Listing Department	General Manager, Listing Department
National Stock Exchange of India Ltd.	**BSE Limited**
Plot No. C/1 G Block,	Phiroze Jeejabhoy Towers,
Bandra-Kurla Complex, Bandra (East),	Dalal Street,
Mumbai -400 051	Mumbai – 400 001
Symbol: CONCORDBIO	Scrip Code: 543960

Dear Sir/Ma'am,

Subject: Transcripts of Q1 FY25 Earnings call held on August 12, 2024

In continuation of our letter dated August 12, 2024 regarding Audio recording of the Audited (Standalone and Consolidated) Financial Results of the company for the First Quarter ended June 30, 2024, Earnings call for Investors and Analysts and pursuant to Regulation 30 (6) of the SEBI (Listing Obligations and Disclosure Requirements) 2015, the transcripts of the Earnings call for the said period enclosed herewith and available on the website of the company at the following link after sending this letter to you. Also please note that this transcript and the audio recording of the call, both have been uploaded on our website as follows:

https://www.concordbiotech.com/investors

Kindly take the same into your records and oblige.

Thanking you,
Yours faithfully

For Concord Biotech Limited

PRAKASH LALCHAND SAJNANI

Digitally signed by PRAKASH LALCHAND SAJNANI
Date: 2024.08.20 15:27:27 +05'30'

Prakash Sajnani
Company Secretary and Compliance Officer
M. No. F6242

Encl: as above

CONCORD BIOTECH
Biotech for Mankind...

"Concord Biotech Limited
Q1 FY '25 Earnings Conference Call"
August 12, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 12th August 2024 will prevail

CONCORD BIOTECH
Biotech for Mankind...

MANAGEMENT:	**MR. SUDHIR VAID – CHAIRMAN AND MANAGING DIRECTOR – CONCORD BIOTECH LIMITED** **MR. ANKUR VAID – JOINT MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – CONCORD BIOTECH LIMITED** **MR. LALIT SETHI – CHIEF FINANCIAL OFFICER – CONCORD BIOTECH LIMITED** **MR. PRAKASH SAJNANI – COMPLIANCE OFFICER AND ASSISTANT VICE PRESIDENT, ACCOUNTS – CONCORD BIOTECH LIMITED**
MODERATOR:	**MR. SAGAR SHROFF – STRATEGIC GROWTH ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to Concord Biotech Limited Q1 FY'25 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinion and expectation 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sagar Shroff from Strategic Growth Advisors. Thank you, and over to you, sir.

Sagar Shroff: Thank you, Deepika. Good afternoon, everyone and thank you for joining us on the Q1 FY '25 Earnings Conference Call for Concord Biotech Limited. Today, we are joined by Mr.Sudhir Vaid, Chairman and Managing Director; Mr. Ankur Vaid, Joint Managing Director and CEO; Mr. Lalit Sethi, Chief Financial Officer; and Mr. Prakash Sajnani, Compliance Officer and AVP Accounts.

We have uploaded our Q1 FY '25 financial results and investor presentation on company's website and stock exchanges. I hope everybody had an opportunity to go through the same. We will begin the call with opening commentary by the management followed by question-and-answer session.

I would now like to invite Mr. Sudhir Vaid, Chairman and Managing Director for Concord Biotech Limited to give his opening remarks. Thank you, and over to you, sir.

Sudhir Vaid: Good afternoon, everyone. Thank you for joining us on our Q1 FY '25 Earnings Conference Call. We are delighted to announce another quarter of robust financial performance, reflecting our continued commitment to excellence and growth. For the first quarter of FY '25, our operational revenue experienced a year-on-year growth of 11% compared to the same period last year. Our profit before tax for the quarter grew by 20% year-on-year excluding the share of profits from JV and associates. This impressive growth indicates our strong market position and the effectiveness of our strategies.

At Concord, we take pride in offering one of the largest product portfolio of fermentation-based active pharmaceutical ingredients in the industry. Our extensive range of high-quality products ensures that we can meet the diverse needs of major pharmaceutical companies both in India and globally. Our ability to provide reliable supplies on the back of our extensive capacities has cemented our reputation as a trusted partner in the pharmaceutical industry.

One of the key factors contributing to our success is our competitive advantage of being backwardly integrated up to the key starting materials. This strategic integration allows us to have greater control over our supply chain ensuring that we can maintain consistent full and timely deliveries to our customers.

By managing the production process from the very beginning, we can guarantee the quality and the reliability of our products. Our growth has also been fuelled by our strategic forward integration into the formulation business. This venture has been a significant step in our evolution allowing us to diversify our offerings and meet the needs of our customers over the years.

Our formulation business has shown remarkable progress enabling us to expand our customer base by enhancing our distribution network. By reaching a wider base of customers, we have strengthened our market presence and increased our ability to deliver comprehensive solutions. Furthermore, the development of our upcoming injectable facility is progressing well. Facility qualification activities are ongoing and we expect to commercialize this plant by last quarter of this financial year.

This upcoming facility will uniquely position us in the global market as a company offering a specialized range of fermentation-based API including anti-infectives and antifungals with forward integration into finished formulation. This end-to-end capability will provide us with a significant competitive edge, enabling us to offer unparalleled value and reliability to our customers.

Looking ahead, we are steadfast in our commitment to innovation and expanding our product portfolio. Over the next 3 to 4 years, we plan to introduce 8 to 10 new products in the API space, further diversifying our offerings and enhancing our capabilities in the formulation business. This strategic expansion will position us as a comprehensive one-stop solution for our customers worldwide seeking fermentation-based products. Securing regulatory approvals is crucial for expanding our reach and ensuring the global distribution of our products.

Over the years, we have diligently worked to obtain approvals from various international regulatory bodies allowing us to broaden our geographical footprints. In the last financial year alone, we received significant approvals and underwent inspections from several prestigious authorities including the USFDA, ANVISA (Brazil), the Bavarian Authority (Germany), and the Japanese AFM, among others.

These endowments are a testament to our focus on maintaining the highest standards of quality and consistency in our products. Our focus on consistent supply quality, innovation and customer satisfaction continues to drive our growth and success. As we move forward, we remain committed to leveraging our strengths and capabilities to deliver exceptional value to our stakeholders and contribute positively to the health care industry.

Our company's objective is to maximize shareholder wealth through strategic growth and value creation. By balancing prudent reinvestment with consistent dividend payouts, we aim to enhance overall shareholder value while maintaining a sustainable business model. In this direction, I am pleased to share that your company has paid dividend of INR 8.75 per equity share of INR 1 for the FY '23, '24.

And with this, now I hand over the call to Mr. Ankur Vaid:, Joint Managing Director and CEO. Thank you.

Ankur Vaid: Thank you, sir. We are delighted to share that our revenues for quarter 1 FY '25 stood at INR 216 crores as compared to INR 195 crores for the same period last year, a growth of 11%. I would like to highlight that usually quarter 1 is a lean quarter for us on account of higher sales in quarter 4 of previous year and we see this trend in the current fiscal as well. Our EBITDA and PAT grew by 13% and 9%, respectively, on a year-on-year basis for quarter 1 FY '25. Our EBITDA margins for Q1 FY '25 stood at 38% compared to 37% in Q1 FY '24, a growth of 63 bps year-on-year.

Our profit before tax excluding profits from JV and associates grew by 20% year-on-year and stood at INR 78 crores. PBT margin stood at 36.2% compared to 33.4%, a jump of 285 bps year-on-year. Lower share of profits from JV has partially impacted the PAT growth. Over the past years, we have dedicated our efforts in obtaining regulatory approvals from various geographies.

This strategic move is part of our broader plan to establish our presence in these regions, leveraging our extensive product range and our commitment to delivering top-notch quality products on a timely basis.

Our approach is twofold: deeper penetration into developed markets. We aim to penetrate deeper into developed markets where we see substantial opportunities for cross-selling and customer acquisition.

Our goal is to increase our market share by offering a comprehensive product portfolio that meets the highest standards of these markets.

Secondly, expanding into emerging markets. Concurrently, we are expanding our presence in emerging markets also to become a reputable player in these underserved geographies. Our strong brand, diverse product portfolio and established relationships with suppliers in developed markets gives us a competitive edge.

The certifications we already hold in developed markets facilitate our entry into these emerging markets, allowing for a smoother approval process. By pursuing this dual strategy, we are confident in our ability to expand our geographical footprint globally. We aim to increase our presence and market share in existing regions continuously seeking opportunities to add more value to our customers.

Let me speak about product development and expansion. Our in-house R&D team is at the forefront continuously innovating and adding new products. Currently, we have a robust pipeline consisting of 8 to 10 new products which we plan to commercialize over the next 3 to 4 years.

These products are primarily focused on critical fields of oncology, anti-infectives and antibacterial treatment.

Speaking about our operational and financial performance for Q1 FY '25, our API revenue for Q1 '25 stood at INR 171 crores reflecting a 5% year-on-year growth. As highlighted earlier, Q1 is usually a lean quarter for us due to high sales in quarter 4 of previous financial year. Also, fluctuations in customer procurement patterns can lead to revenue bunching in particular quarters. However, on an annual basis, we expect to meet our guidance.

Speaking of our Formulation segment, revenues grew by 43% in Q1 FY '25 on a year-on-year basis. Over the past financial year, we have added 21 new products to our Formulation portfolio and plan to introduce more throughout the year. Our Domestic business, particularly in critical care, nephrology and rheumatology has been experiencing strong growth. We have also expanded our sales and distribution network across the domestic market with a team of over 150 people serving the Indian market. As we are the only company manufacturing immunosuppressant APIs with key starting materials and finished formulations, our products are highly regarded by the doctor fraternity giving us equal weightage with larger brands.

With our upcoming injectable facility set to launch this year, we will be strongly positioned, giving us significant market opportunity domestically. Commercial production at our new injectable plant is expected to commence in this fiscal. The split between our API and Formulation business was 79% and 21%, respectively, for Q1 FY '25, aligning with our long-term guidance of 80-20.

On the CDMO business, we continue to actively explore these opportunities and are hopeful of getting some business our way in the future. With CDMO business, we will be able to generate large volumes which will accelerate the revenue growth and margin profile on the back of operating leverages.

Lastly, we are optimistic about the growth trajectory for both segments and remain committed to achieving our long-term CAGR guidance of revenue growth of 25% over a period of 5 years on the back of strong product pipeline of 8 to 10 products which would be commercialized in the next 3 to 4 years approvals from customers for our Limbasi facility with ample capacities to grow, commercialization of new injectable plant in this year facilitating growth from next year, increase in wallet share addition of new customers and geographies and CDMO opportunities accelerating the growth.

With this, I hand over the call to Mr. Lalit Sethi, our Chief Financial Officer, for financial and operational performance. Thank you.

Lalit Sethi: Thank you, sir. Let me take you through the financial and operational performance for the quarter ended June 2024. On the revenue front, our revenues for the quarter 1 financial year '25 stood at INR 215.80 crores as compared to INR 194.83 crores in the same period last year representing growth of 11% in this quarter. The revenue from our API business grew by 5% in this quarter and stood at INR 171.05 crores against INR 163.62 crores in the quarter 1 of the last year. The revenue from the Formulation business in this quarter stood at INR 44.75 crores, as compared to INR 31.21 crores in the quarter 1 of the last year, representing growth of 43%.

Revenue from Domestic business grew by 22% and International business moderated by 3% in quarter 1 of this financial year. Speaking on EBITDA. EBITDA for this quarter stood at INR 81.28 crores as compared to INR 72.15 crores in quarter 1 of the last year. EBITDA margins for this quarter stood at 38% against 37% in the same period last year. Profit before tax, excluding profit from the joint venture.

Our PBT excluding profits from the joint venture stood at INR 78 crores in this quarter as compared to the INR 65 crores in the quarter 1 of the last year, representing growth of 20%. Our PBT margin excluding profits on the JV stood at 36.2% in this quarter as compared to 33.4% in the same quarter last year, an increase of 285 bps year-on-year.

Profit after tax for this quarter stood at INR 59.6 crores as compared to the INR 54.5 crores in the same period last year, a growth of 9% year-on-year and the PAT margin for this quarter stood at 27.6%. So with this, I shall now leave the floor open for question and answer.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.

Alankar Garude: Sir, first question, our year-on-year API sales growth has been relatively low for the past 3 quarters now. Specifically, for this quarter, the base was also favourable. So can you highlight the issues which impacted API sales in this quarter? And also, if you could talk a bit about the scale-up of the Limbasi facility? Is it going in line with your expectations?

Ankur Vaid: Sure. So last quarter, as indicated earlier, we had certain challenges in getting regulatory approval for one of our products, which was intended to go to Europe market which we got by the end of March and supplies of that product to Europe has already started. So that is going on well and it is in line with what we have been looking on an annual basis.

However, as I mentioned that the rest of the molecules which are there, there was a heavy uptake of the products across different geographies in Q4. And it was a heavy quarter for us. And usually, this has been, what we have observed is that -- quarter 1 is usually on the lighter side. To just give you for the previous year, we had grown by close to around 8% last year. Compared to that, this year, we have grown by 11%. So, this is a usual phenomenon that we have seen over the many years. But on a broader level on an annual basis, we do not see any challenges in terms of meeting our guidance for both API and Formulation.

With respect to the scaling up at the Limbasi facility, it is going as planned. Many of the customers have already started buying commercial quantities for the regulated markets from the Limbasi facility. And as we speak, this is an ongoing process because we have a lot of customers, so all of those customers qualifying the Limbasi facility does take time, but many of those customers have already shifted to Limbasi.

So now they have derisked themselves in terms of buying materials from both Dholka and the Limbasi facility. And many of the new products that we are planning to launch in the coming years, and some which are at very late stages of commercialization, those products are also being taken at the Limbasi facility. So to sum it up, it's coming out quite well and in line with what our expectation is from Limbasi facility.

Alankar Garude: My question was actually more on the year-on-year sales growth specific to the API segment. So I understand the point on the sequential drop, fourth quarter is usually high for us. But if you look at the first quarter FY '24 growth in the API segment, we were just at 5% and again, in this quarter, in first quarter FY '25, we are similarly at 5% growth. So just trying to understand from a year-on-year standpoint, given the fact that Limbasi should have ideally scaled up meaningfully in the last 12 months, why is the API growth only 5% on a year-on-year basis?

Ankur Vaid: Again, if I would say that this is, if we would have got the approvals for that one product last year, on an annual basis, sales would have been much higher on an annualized basis. But again, just to highlight, we do not see any specific challenges that on the API front, all the products that we are commercial on are seeing good traction.

As a matter of fact, some of the products which were just launched a couple of years back, particularly in the Anti-infective segment are seeing good traction and the likes of Teicoplanin and all. And we are already seeing good pickup in those products in the Indian market. So difficult for me to say that why on a compared to last quarter, it was 5%, why this is here 5%.

But when you see it on an annualized basis, it is very much in line, the challenge that we faced is something that I spoke about which was particularly with respect to one product which was a significant contributor to the API sales. So it was more of a timing issue, something that we do not envisage in this year. So this year's API sales should be very much in line with what our expectations are.

Alankar Garude: Understood. The second question is linked to this mix between API and Formulations. Now given that we have been growing really well in Formulations, while API has been relatively soft in terms of growth. Would you like to revisit the long-term guidance of keeping formulation share at 20%? And maybe a follow-up there would be, in general, our understanding is Formulations EBITDA margins are lower than API? So from a longer-term standpoint, does higher Formulations share pose any risk to our EBITDA margins?

Ankur Vaid: So again, we'd like to mention that we stand by our long-term guidance of 80/20 with 20% Formulation and 80% API. And even on an annualized basis, how we are seeing it, it would be pretty much in line with what our long-term guidance is. So, we do not see any changes in that. And as rightly said, the EBITDA margin in the Formulation is definitely lower than the API but given that we are looking at the same mix of 80/20, we do not see any significant impact on our long-term EBITDA guidance.

As a matter of fact, once the injectable plant starts contributing significantly over the next 2 to 3 years, we would expect that the formulation margin would slightly improve given that the EBITDA margins in injectable is better off than the OSD. So that's how we would be looking at both business segments.

Alankar Garude: Fair enough, Ankur. And one final question, if I may. There seems to be some delay again in the injectable facility. We were earlier talking about our first quarter FY '25 commencement, then it got pushed to early 3Q. And now I think you mentioned fourth quarter of this fiscal. Any reasons for the delay?

Ankur Vaid: So earlier, we were looking at quarter 2. However, we have started doing all the qualifications. It's taken slightly longer because we're not doing media fill studies and smoke test and getting the facility in order to take the exhibit batches. It is a little time consuming in those activities. But that being said, by beginning of the quarter 4, we are expecting to take our exhibit batches of some of our products there.

So it is just that certain activities took a slightly longer term, but we have now got all the necessary approvals from the local regulators in order to initiate the production activities, and we are now just taking certain qualification activities so that we can proceed with the exhibit batches. So that was the reason for some bit of delay happening while taking the exhibit batches.

Moderator: Thank you. The next question is from the line of Chintan Sheth from Girik Capital. Please go ahead.

Chintan Sheth: Congrats on the good set of numbers. First question is on the API export part. If you see there is a degrowth in API exports, any reason for the same, if you can highlight? The one product you mentioned, apart from that, any offtake issue or any pricing issue in any of the API products?

Ankur Vaid: No. So we do not see any challenges on the export sales for our APIs. There is something that we had mentioned last time as well that since one of our customers had moved their facility from Puerto Rico to India. So, export sales to that percentage would get impacted. but other than that, for the rest of our customers, we do not see any challenges.

So as a matter of fact, we are expecting with a good mix of new products that are becoming commercial, we expect similar lines to be maintained for the export sales. So other than that one customer, things are pretty much in line with what has been last year and how we see going forward.

Chintan Sheth: Sure. And if you can provide utilization of the plants it would be helpful for the quarter?

Lalit Sethi: For unit 1 the plant utilization has been in the range of around 76% to 77%. For Formulation, it's around 24% against 20% last year. And for the Limbasi facilities, it is 38% against 34% last year.

Moderator: Thank you. The next question is from the line of Monish Shah from Antique Stock Broking Limited. Please go ahead.

Monish Shah: So the question is on the CDMO business. Can you just help us understand what is our expertise in this? That is one. And second, are we looking for any commercial revenues to begin in this financial year or it will be next financial year?

Ankur Vaid: So on the CDMO front, over the last quarter or so, we've filled out several RFQs and are engaging with those potential customers to kind of see when those opportunities could translate into business for us. And as we speak, there are few other RFQs that we are also filling out, which could be potential opportunities for us as well.

And these are, again, more of contract manufacturing than contract development opportunities. So once if any of those opportunities does fructify, it could lead to potential revenue contribution and profitability improvements.

But again, as we mentioned earlier, that these are opportunities which could take time because change switching facility from their existing to an alternate is usually a big decision when we specially talk about these large MNC companies. So earlier during our IPO times as well, we had kept this opportunity as a growth lever for a long term opportunity.

However, we are hopeful that this could be from a short term to a medium-term opportunity. But since nothing has right now, we don't have clarity in terms of what the timelines could be, it will be difficult for us to give the same to you as well. but I would say that a lot of work is going towards this particular segment that we would want to build on.

Monish Shah: Okay. Got it. And lastly, on the API division, are we seeing any pricing pressure in the top 5, top 7 products?

Ankur Vaid: No, not really. So our prices have been stable across the products that we are commercial in.

Moderator: Thank you. The next question is from the line of Raj Mehta from Wisdom Advisor. Please go ahead.

Raj Mehta: So I wanted to know that how do we see the Formulation business panning out? We have seen a good growth, so do we envisage the similar growth trajectory for coming years? And also, what will be the margin differential between API and Formulation business?

Ankur Vaid: So we have growth levers in both API and formulation. So while in the API, we have the new Limbasi facility, which is operating at relatively low utilization. So we see a lot of growth opportunity in the API. Similarly, in the injectable side, we are seeing good traction in domestic market as well as in global markets for our oral solid dosage and this is particularly coming from the emerging markets along with the India market. And with the injectable plant also getting commercial by this financial year, it would also start contributing over the next 18 to 24 months.

So given that there are growth levers in both these 2 segments, we see good growth opportunities in both segments. But as mentioned earlier, we expect that the split would remain similar like 80-20 with 20% formulation. So while the formulation business will see significant growth once we are commercializing new products in OSD as well as in the injectables, but the split would remain the same which is 80-20 is what we expect.

In terms of the margin differential, there is a big delta between the fermentation APIs and the finished formulations and, I would say, it is primarily because if we talk about in fermentation space, we would be one of the very few players who have such a large portfolio and are addressing the global markets whereas in the Formulation, we have a number of players who we are competing with across different geographies. So definitely, because of that, one would see a very different margin profiling between the 2 segments.

Raj Mehta: And sir, on R&D side, what kind of molecules we are looking as we aim to commercialize some of them, so also what will be a typical addressable market for these molecules?

Ankur Vaid: So the molecules that we are currently developing across the Oncology, Anti-infectives and Antifungal, and if I have to say, out of the 3, most of the products are in the Anti-Infective segment. And again, these are niche anti-infective products where we see very limited competition and they are highly complex niche products. So much of the work is going towards development of molecules across these 3 segments.

Moderator: Thank you. The next question is from the line of Jigar Shah from Elevate research. Please go ahead.

Jigar Shah: Sir, I have a couple of questions on the exports front. We have seen a decline in the export business. Can you let us know which geography is seeing lower demand? And what will be our split of revenue from U.S. and rest of the world for exports business?

Lalit Sethi: The split between the U.S. and rest of the world, export market is 17% and 33%. 33% in the rest of the world and 17% is from U.S. markets.

Ankur Vaid: And just to add there that here we are just talking about direct sales to U.S. However, in terms of our deemed exports, this would be a much larger number because we do supply APIs to domestic players whose end market is the markets such as U.S. and Europe.

But from our end, it would be difficult to quantify that number. But I would say that we make quite a large volumes of sales to companies who are targeting these regulated markets. Talking about the exports where we have seen a little bit of dip, Japan is one such market where we have seen some bit of dip, and this is again more so from a procurement perspective by some of the companies in Japan which we are seeing getting improved in the subsequent quarters, and that also is getting reflected in our sales to JV.

So the rest of the market, again, being a 5% growth over the last quarter, 5% growth only over the last year. Sales have been relatively muted, but we do not see any significant challenges in terms of meeting our guidance over the next few quarters there.

Jigar Shah: Got it. Sir, second, can you let us know on your competition from domestic and global markets, can we be a tangible supplier to large pharma companies as a Tier I supplier?

Ankur Vaid: So if we talk about competition, other than Concord, there is just one other company who's in the Fermentation segment where we compete with them on around 4 to 5 molecules. Of course, we've been gaining significant market share compared to them over the last several years. And I think based on our focus on this segment and our expertise, we continue to add more molecules within the different therapeutic segments that we operate in.

And that gives a lot of comfort and confidence to our customers. So from India perspective, that's the only competition that we see for the regulated markets. And from a global perspective, this segment which is fermentation, we are seeing a lot of consolidation happening.

So more and more companies are shutting down, which gives us an opportunity to make more gains and inroads into gaining market shares for our productsand it also gives us an opportunity to evaluate new products where we see less competition, which are more complex niche products, which we can add into our portfolio. So the competition is actually shrinking globally, and that creates a lot of opportunity for us.

Moderator: Ladies and gentlemen, this was the last question. I now hand over the conference to the management for the closing comments.

Ankur Vaid: So thank you, everyone, for joining on our quarter 1 FY '25 earnings call. We hope we have been able to address all your queries. For any further information, please get in touch with us or SGA, our Investor Relations Advisors. Thank you once again. Have a good evening.

Moderator: Thank you. On behalf of Concord Biotech, we conclude this conference. Thank you for joining us and you may now disconnect your lines.