



Date : August 16, 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 ended June 30, 2024

Dear Sir / Madam,

We hereby inform you that an Earnings Call with the Investors and Analysts for the quarter ended June 30, 2024 was conducted on Wednesday, August 07, 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 Q1 FY ‘25 Earnings
Conference Call”

August 07, 2024



MANAGEMENT: **MR. ASHWANI KHEMKA – CHAIRMAN AND MANAGING
DIRECTOR, SANJIVANI PARANTERAL LIMITED
MR. SRIVARDHAN KHEMKA – DIRECTOR, SANJIVANI
PARANTERAL LIMITED
MR. PRITESH JAIN – CHIEF FINANCIAL OFFICER,
SANJIVANI PARANTERAL LIMITED**

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

Moderator: Ladies and gentlemen, good day and welcome to the Sanjivani Paranteral Limited Q1 FY '25 Earnings Conference Call, hosted by S-Ancial Technologies Private Limited.

As a reminder, all participants 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 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, Neha. Good day, everyone. Welcome to Sanjivani Paranteral Q1 FY '25 Earnings Conference Call.

From the Management we have Mr. Ashwani Khemka – Chairman and Managing Director; Mr. Srivardhan Khemka – Director; and Mr. Pritesh Jain – Chief Financial Officer.

I now request the Management to take us through the key Opening Remarks, after which we can open the floor for questions-and-answers session.

Now, I hand over the call to Mr. Srivardhan Khemka 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 Q1 FY '25 post results conference call of Sanjivani Paranteral Limited.

At 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 me start with a brief overview of the Company:

Sanjivani Paranteral is a WHO GMP certified pharmaceutical manufacturing company with over two and a half decades of experience. Specializing in the manufacturing of injectables and oral solids, the company has established itself as a leader in the industry. Our company's primary focus lays on life saving drugs, and we export our products to over 25 countries. We are headquartered in Mumbai with another WHO GMP manufacturing facility in Navi Mumbai, Dehradun and now a venture in Prague, Czech Republic, for nutraceuticals. We cater to major therapeutic and product areas encompassing CNS, CVS, antibiotics, gastroenterological, anti-diabetics, anti-allergic, which is supported by a strong R&D setup. In the last financial year, with the help of two joint ventures, we collaborated forces in Europe and with Hindustan Antibiotics, a government sector company in Pune.

Now, let me hand over the call to Mr. Pritesh Jain – our CFO, who will share the company’s financial and operational highlights for the first quarter.

Pritesh Jain: Good morning, everyone. Thank you. Thanks, Srivardhan.

In the current quarter, our revenue grew 31% year-on-year to 164.4 million. Our EBITDA margins were at 14.7% compared to 16.5% in Q1 FY ‘24. The net profit for the quarter grew 11% to Rs. 17.1 million, while path margins for the quarter were at 10.4 as compared to 12.3 in Q1 FY ‘24. The revenue from the injections new 20 grew 4.6% year-on-year, the oral segment grew 116.6%, while the nutraceutical revenue grew 61.3% year-on-year. The revenue mix from the quarter was 12.8% in the domestic front and 87.2% in the exports.

Now, I hand over the call to Mr. Ashwani Khemka, our Managing Director, for further remarks.

Ashwani Khemka: Good morning, everyone. And thank you for attending this call.

The current status on our joint venture with HAL is on track. And as committed earlier, we will be operational by the October ‘24. And we have got the license to start from the FDA. And the current status of Prague joint venture is operational partially, and we have executed one small order in the European region only, and the orders are in flow. And the full speed of the Prague project will be achieved, say by end of August or September. Then those numbers will be reflecting in the books.

Thank you, everyone. Now, I open the floor for the question-and-answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ishita Jain from Ashika Group. Please go ahead.

Ishita Jain: First of all, congratulations on the highest-ever quarter yet. My first question is on the Prague project. So, you mentioned that the Prague project is now operational and executed a small order. So, can we come to understand that the Red Sea issue is now somewhat resolved?

Srivardhan Khemka: Hi Ishita, thank you. So, regarding the Red Sea, the container freights and the logistical situation still remains to be in a problem. However, we are executing some products via air. While processing orders through air shipments the price goes very high due to which the order flow is slightly slow. And right now, the machines are operational so we are facing some teething issues as well. So, those will be resolved in the next couple of months. Hopefully the Red Sea issue also resolves by then.

Ishita Jain: Understood. So, that means what has been, I mean, I know you cannot tell me division wise EBITDA margin, but could that be the reason why our EBITDA margins for this quarter have been slightly lower than present quarters?

Srivardhan Khemka: Yes, correct. Actually, the freight costs have gone up in certain segments where we operate around four to five times of the regular rates due to which the EBITDA margins have dropped.

- Ishita Jain:** And this has mostly been in the European region or other regions as well?
- Srivardhan Khemka:** Globally. In fact, Latin America is the worst affected since it is the furthest away from us.
- Ishita Jain:** Any other product mix changes this quarter compared to other quarters?
- Srivardhan Khemka:** So, this quarter we have executed more in the oral solid segment. There were a few tenders that we had participated in which we converted; hence the product mix seems tilted in this quarter. But this looks like a one-off event.
- Ishita Jain:** And just my second question is on the HAL project, I know Mr. Khemka mentioned that October 2024 is what we are aiming for. So, just want to understand where the status is right now. Are we at the validity batches level, where are we right now?
- Ashwani Khemka:** Hi, Ishita. Ashwani Khemka here. We are not at the validation batches because this is an IV fluid and the stability batches are of HAL, already liters are there with us. Stability batches we will start in the month of September. And we have got recently the approval for the operation and all the licenses are in place, pollution control and factory licenses. So, our deadline is October and commercial batch will be there in the market 15th October onwards.
- And one more thing that now the PPP model which we have done and Government of India is now exploring these activities in various states. So, we are the first type of this model in India, and we are the front runner in many of the projects, now we as a company will be choosing our expertise and beneficial to the company and the stakeholders. So, in that race we are there, more things will be there.
- Moderator:** Thank you. The next question is from the line of Neeraj from DAM Properties. Please go ahead.
- Neeraj:** My question was again on our margin, if you see our gross margin, there is a lot of variability on a quarter-on-quarter basis. The previous quarter it was around 60%, same quarter last year it was around 48%, the current quarter we did 38%. So, how are we thinking about our gross margins?
- Srivardhan Khemka:** So, Neeraj, I would like to point out that currently the base of the company is very small. It will vary quarter-on-quarter because every quarter we are working in multiple countries. So, in any quarter where we have the weight of sales in one country which is higher, the margins are impacted in the same. Plus, as I said, we have participated in some oral solid tenders which got converted in this quarter due to which the margins have shrunk a little bit since oral solid is a less margin segment, and plus tender business is already a low margin business. So, the variability is going to stay with us for a while until we come off a certain size.
- Neeraj:** And whatever logistic related issues you mentioned, like we had to do shipments via air, so that obviously would not impact our gross margins, right?
- Srivardhan Khemka:** Yes, gross margins would not be impacted in that segment, but EBITDA will be.

- Neeraj:** And on an annual basis for our base business, excluding those two projects which is in the pipeline, so any guidance on gross margins or EBITDA margins, on an annual basis?
- Srivardhan Khemka:** It's difficult to say right now, Neeraj. As I told you, the logistics situation remains uncertain and our product and market mix both we are quite small. So, it all depends on where we perform in which quarter.
- Neeraj:** Is there any seasonal aspect in our base business, like some quarters are high, some quarters are low?
- Srivardhan Khemka:** Usually what we have seen historically is that during the winter our business picks up better than the monsoon since we are focused more into exports, and that's how the international markets operate.
- Neeraj:** So, that would be actually Q3, Q4 should be high for us?
- Srivardhan Khemka:** That's what we have seen historically, yes.
- Moderator:** Thank you. The next question is from the line of Harsh Vijay, an individual investor. Please go ahead.
- Harsh Vijay:** I just had one question regarding the segment wise revenue. So, we have seen that there is a slight decrease in the injectables parts of the business year-on-year, whereas oral segment has seen a significant increase. So, is there any particular reason for that? Also, how do we see the projections going forward in each of these three segments, injectables, orals, and nutraceuticals? Thank you.
- Srivardhan Khemka:** Hi, harsh. Thank you. So, injectables has seen very slight de-growth of around 3%, this has happened due to market conditions. Regarding orals, we saw the tremendous growth, as I earlier mentioned, due to a tender business. We had converted one specific tender in this quarter due to which the oral segment has shot up exponentially. Regarding the future prospects, I would say we would like to maintain the mix that were maintained earlier quarters. Our primary focus remains injectables. And with the Hindustan Antibiotics plant coming in, our focus on injectables and the numbers will also show similarly. Also, the second area of focus for us is the nutraceuticals, which is now going to be boosted due to the Prague business.
- Harsh Vijay:** Just one more question before I join the queue. So, I mean, recently looking at the demographics of India, even in terms of age as well as financial demographics. So, India is a growing country in the sense that the rich people are having more disposable income, as well as the population pyramid is sort of reversing. So, just wanted to ask, from what I see is that we will have a good opportunity in the healthcare and wellness tourism sector. So, do we see ourselves sort of capitalizing on that in any way via nutraceuticals or sort of? So, just wanted to have your view on that, yes.

Srivardhan Khemka: Yes, you're correct about the demographics of India right now. However, there are few key economic issues that may affect our decision on whether to enter this space or not. Regarding the medical tourism that you mentioned, it is a completely separate industry from ours. And that is related more towards the hospitals. So, we do not see ourselves entering that space anytime soon.

Regarding the nutraceuticals, the Indian market is definitely growing, and the preventive medicine space is growing. However, there is a lot of competition and there is very less regulation, due to which there are many players which are not selling products of quality, and the pricing also is always under pressure due to this, because there's no entry level barrier. So, until that part corrects, I do not think it is easy for a company like ours to make space for us. So, that's why we focus on markets where there is more regulation due to which the quality of the product matters, where our expertise lies, and we can command a better price on it.

Harsh Vijay: Also, just one more last question, sir. So, we are primarily an export-oriented business as of now. How do we see sort of the distribution between exports and domestic business going forward? Is it going to be in the same ratio or is it going to be more balanced per say from domestic and exports point of view?

Srivardhan Khemka: On the base business level, we will stick to our ratio of 70% to 30%. 70% export and 30% domestic. However, once HAL is operational and on a consolidated the company will have more or less 50:50 domestic and export, since more sales of HAL will be focused into the domestic market, being in the partnership with the government.

Harsh Vijay: And the where do we see the higher margins coming from? Is it from the export side of the business or domestic?

Srivardhan Khemka: So, for HAL it will be currently domestic. However, we are exploring our opportunities in export. For the base business, it is definitely export.

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

Kabir Parekh: So, there has been a significant contraction in gross margin. Can you please put some light on the same?

Srivardhan Khemka: Yes. Hi, Kabir. I earlier mentioned, we executed a tender order in this quarter in oral solid segment. Being oral solid and tender, the low margins were in place. However, we do not see this being stable and the margins will improve quarter-on-quarter.

Kabir Parekh: Okay, thank you. And one more question, so how many geographies are you planning to add in the next couple of years?

Srivardhan Khemka: So, currently we are present in Latin American space and Middle East and Africa, primarily. So, we are in discussions to expand into a few more countries in Africa. However, it is too early to

comment on how many on a specific number. Along with this, we are also focusing on Central America, so a few more geographies going to be added over there also.

Moderator: Thank you. The next question is from the line of Prateek Chaudhary from Saamarthya Capital. Please go ahead.

Prateek Chaudhary: Sir, you mentioned about us getting into other opportunities with the PPP model. Could you briefly just tell whether the size of the opportunities could be similar in other states as to what we are doing with HAL in Maharashtra? And then any other color, any other parts that you wish to share?

Ashwani Khemka: See, we have tied up with Hindustan Antibiotic Limited. It's a first type of a model which Government of India decided and we entered. Once our plant is in operation then it will be seen by the various PSUs and everything the Indian subcontinent. And they are thinking in similar line to have a PPP model. So, those things are very primitive right now to explore. Since our name is there, so we have been asked to apply for the same. But that will happen somewhere in the month of September.

Prateek Chaudhary: And is it for similar products?

Ashwani Khemka: No, this will be different. Maybe similar, maybe different.

Prateek Chaudhary: You said many similar and many different?

Ashwani Khemka: No, no, maybe similar, may be different also, it depends on the government.

Prateek Chaudhary: And how many states have evinced interest for this?

Ashwani Khemka: No, there are five PSUs in different states, West Bengal, Karnataka, Rajasthan, Andhra Pradesh and Maharashtra is there.

Prateek Chaudhary: I was saying that the final details and the bidding and everything and expression of interest, all of those things are yet to happen, but roughly you must have got some sense as to what could be the size of these opportunities in these five different states. So, just want to --

Ashwani Khemka: These are internal things. The government doesn't disclose unless they have published out the tenders. And those tenders are a public property. Everybody can go and visit the same. So, this is very primitive, it's a standard discussion only. And certain means cannot be revealed, okay, because there are many players also.

Moderator: Thank you. The next follow up question is from the line of Harsh Vijay, an individual investor. Please go ahead.

Harsh Vijay: Just wanted to ask you about the long-term growth drivers that you have sort of presented in the investor presentation. So, it basically includes four things, expanding the product portfolio, strategic partnerships, expansion into new geographies, and therapeutic diversification. So, I see

three of them already happening. Just wanted some clarity on what exactly will you be doing in therapeutic diversification? And since when is it going to start, since when is it going to kick in?

Srivardhan Khemka: So, regarding the therapeutic areas that we are present in, as of now everything except oncology and hormones are currently under our portfolio. So, there are very few therapies left to expand into. Regarding oncology and hormone, it requires a different facility to manufacture and there are very few in the country. So, we are exploring partnerships with a few of the manufacturers where we can tie up with them and put their product in our markets where we are already having long term relationships. So, once we have that kind of deal, we will be expanding into that space. But as of now it is too primitive and there are very few players in the market and they are also doing their own work. So, it doesn't seem something that will convert in the near future.

Harsh Vijay: So, going forward, our growths are going to come mainly from the strategic partnerships that we are already building, new geographies and the expanding product portfolios, right? Because in therapeutic diversification we only have sort of two domains left, oncology and hormones, you said. So, there's not much room in therapeutic diversification I am assuming. Am I correct?

Srivardhan Khemka: When you say there's not much room, that's not a correct statement, since oncology and hormone by itself are a very large category. It's only that once we are able to crack into that partnership, the numbers will definitely show in a very large manner since they are as big as the areas that we currently operate in. And they're both very high value products.

Harsh Vijay: In oncology, I suppose we have Beta Drugs in India and maybe a few more players. Thank you so much, sir. All the best again.

Moderator: Thank you. The next follow-up question is from the line of Neeraj from DAM Properties. Please go ahead.

Neeraj: We have indicated previously that our base business, it should grow maybe around 20%, 25% over the next couple of years. So, would we need any CAPEX for our base business, incremental CAPEX? And what is our current capacity utilization across the segments where we operate in our base business?

Srivardhan Khemka: Sorry, Neeraj, voice is very muffled. I would like you to repeat the question.

Neeraj: I will rejoin again.

Moderator: Thank you, Neeraj. The next question is from the line of Aman Kumar, an individual investor. Please go ahead. Mr. Aman, your line has been unmuted. Please go ahead with your question.

Aman Kumar: Sir, I just wanted to ask, what is the outlook on Indian CDMO business over the next two, three years?

Srivardhan Khemka: Regarding the CDMO business, it is not an area of focus for us, currently it contributes around 10% to 11% in the total revenue mix of the base business. And going forward also we look to

maintain that kind of a ratio. We are focused more into complex products where these companies are tied up with us for marketing of these products. So, it is not a generic CDMO business which can just get up and leave. So, the IP of the products belong to us.

- Aman Kumar:** Second question is, what is the capacity utilization for the current quarter?
- Srivardhan Khemka:** The current quarter, again, it will be around the same only, we are at 65% to 68% in the injectable space, and for oral solids it is around 35% to 40%. You might see that the growth in oral solid segment is there when it comes to sale, but these are antibiotic products which were executed at a different site.
- Moderator:** Thank you. The next follow up question is from the line of Neeraj from DAM Capital. Please go ahead.
- Neeraj:** My question was around capacity utilization, which I guess the previous participant already asked. My related question would be, previously we have guided for around 20%, 25% growth in the base business over the next couple of years. So, to fulfill this growth, will we require any incremental major CAPEX in the base business?
- Srivardhan Khemka:** No, as far as we see, the base business will grow as we have guided, without any too much CAPEX. Earlier we had guided that around Rs. 10 crores to Rs. 12 crores we are going to spend on both our plans for basic upgrades and regulatory inspections. So, that is on track. Apart from that, we do not see any further major CAPEX coming into the play.
- Neeraj:** So, this Rs. 10 crores to Rs. 12 crores, it would be like one time in this financial year, it would not be ongoing thing I am assuming?
- Srivardhan Khemka:** No, it will be an ongoing thing. Some part of it has already been executed in the previous financial year, and this financial year also some part will be there. And I think it will go to the next year also around one or two quarters, because they are running plants so we cannot just stop them and upgrade instantly. It requires planning so it happens stage wise.
- Neeraj:** No, my question was more around, like will we incur this maintenance CAPEX of around Rs. 12 crores each year going forward, like in FY '26-'27? That was my question.
- Srivardhan Khemka:** No, this is a combined figure that I have given you. It will be spread out over this field that I mentioned.
- Moderator:** Thank you. The next follow up question is from the line of Prateek Chaudhary from Saamarthya Capital. Please go ahead.
- Prateek Chaudhary:** Sir, in one of the previous calls you had mentioned that there will be some import substitute product on the IV side, which we might be working on. The products that might have much higher value addition. Any updates you would like to share over there?

- Srivardhan Khemka:** So, that segment will be under play once the HAL JV starts production. There is a development timeline of around 9 to 12 months on that. So, we will try to develop that. And once we are able to crack that product in this packaging form, we will be able to generate those higher values in terms of revenue and profits. But as of now, there's no update. Once the company starts, then we will see.
- Prateek Chaudhary:** So, even the R&D part of it will happen post October?
- Srivardhan Khemka:** Yes, correct. Because this IV is manufactured in the plastic bottle, so it needs to be done on the same production line. It will have different results in the lab and the commercial machines.
- Moderator:** Thank you. The next follow up question is from the line of Pratik Choudhary from Saamarthya Capital. Please go ahead.
- Prateek Chaudhary:** Sir, other than those five PSUs that you mentioned, are there any other strategic partnership or collaborations that are in the work?
- Srivardhan Khemka:** Nothing as of now, the five states thing is again the government business. So, unless they publish it out there, it's only discussions. But apart from that, we are not in discussion with anyone.
- Prateek Chaudhary:** And any updates on the scope, and increase in opportunity size for Prague processes in whatever discussion we might have had with our end customer? Maybe new product lines or new geographies opening up for that customer or maybe other customers at Prague?
- Srivardhan Khemka:** So, as I told you, the logistics situation in Middle East is a little problematic, due to which cost of product at Prague has increased. Since we ship product from India the logistics factors in it, it becomes way more expensive. So, as of now everything is under discussion. There are a few customers in Europe as well as some customers in Middle East, Saudi Arabia and UAE where we are having discussions regarding putting our product over there. But everything is very preliminary and it all depends on the logistics situation. Because otherwise the European manufacturers have an edge over us since they do not have to bear that logistics.
- Moderator:** Thank you. The next question is from the line of Komal Patel, an individual investor. Please go ahead.
- Komal Patel:** So, my question is regarding, I need to know an outlook for FY '25 and '26 in basically three ways, understanding the base, HAL and Prague.
- Srivardhan Khemka:** So, on the base business, we look forward to grow at 25% approximately year-on-year. As we completed FY '24. So, that is for the base business. HAL business, we see that we will be getting one quarter of revenue in this financial year, and the next financial year will be a complete year of revenues. And regarding Prague, we have already started work over there. One order has been executed. Although due to this logistical problems that I mentioned earlier in the call, the guidance on the numbers of Prague is a little difficult since there's a lot of uncertainty involved in terms of logistics as well as order flow.

- Komal Patel:** And if we have to talk about debt as of now, what would that number go to?
- Srivardhan Khemka:** Currently, we have no debt on our books, and that looks like to be the plan.
- Komal Patel:** Do you have any funding for investments of the future as of now?
- Srivardhan Khemka:** No, we do not have any opportunities as of now that we require funds for, both the projects that we mentioned we have already done in the January month through a preferential raise that was published all in the Stock Exchange documents. Apart from that, we do not require any funds as of now.
- Komal Patel:** Thank you for shedding light to my questions. And do you think there are any major challenges that we might be facing?
- Srivardhan Khemka:** So, this Middle East War that is happening between the Iran, Israel, tensions that have risen, those are a little of concern to us. Since there is a lot of uncertainty involved and due to that logistics is impacted, the market scenario is impacted in terms of healthcare as well. So, this is one uncertain challenge that we face. Apart from that, it does not look like any major things are facing us.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.
- Srivardhan Khemka:** So, thank you everybody for attending the investor con-call for Q1 FY '25. I hope your questions have been answered with detail. And the company looks forward to perform on its numbers and guidance. We are looking forward to delivering in the next quarter and further quarters as well. And see you all in the next con call. Thank you and have a nice day.
- 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. Thank you.