Innovating for affordable healthcare

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CIN: L85110KA1987PLC008739

15 February 2024

To
Corporate Relationship Department
BSE Limited,
1st Floor, Rotunda Building,
P.J. Towers, Dalal Street,
Mumbai – 400 001.

To
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No.C/1, G Block
Bandra Kurla Complex, Bandra (E)
MUMBAI – 400 051.

Dear Sir/Madam,

**Sub:** Transcript of the Q3 Conference call
**Ref:** Scrip Code: BSE - 530549/ Stock Symbol: NSE – SHILPAMED

In furtherance to our intimation dated 6 February, 2024 and 8 February 2024 with regard to the Q3 FY24 Conference call held on Monday , 12 February 2024 at 11.30 AM IST, please find the enclosed transcript of the call

Thanking you

Yours faithfully,

**For Shilpa Medicare Limited,**

Ritu Tiwary
Digitally signed by Ritu Tiwary
Date: 2024.02.15 16:51:32 +05'30'

**Ritu Tiwary**
**Company Secretary & Compliance Officer**

# “Shilpa Medicare Limited

# Q3 FY’24 Earnings Conference Call”

# February 12, 2024

**MANAGEMENT: MR. OMPRAKASH INANI - CHAIRMAN – SHILPA MEDICARE LIMITED**
**MR. KESHAV BHUTADA – PROMOTER – SHILPA MEDICARE LIMITED**
**MR. ALPESH DALAL – CHIEF FINANCIAL OFFICER – SHILPA MEDICARE LIMITED**
**MR. DILIP KANKANI - SHILPA MEDICARE LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Shilpa Medicare Earnings Call. 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. Dilip Kankani from Shilpa Medicare Limited. Thank you, and over to you.

**Dilip Kankani:** Thank you, Yashasvi. Good morning, everyone, and welcome to the conference call, hosted by the management of Shilpa Medicare Limited to discuss the third quarter and 9 months performance for the period ended 31 December 2023, and the discussion on the strategic initiatives that are underway. The management is being represented by Mr. Omprakash Inani, Chairman of the company; Mr. Keshav Bhutada; and Mr. Alpesh Dalal. We shall have Mr. Keshav Bhutada, is a son of Vishnukant Bhutada, from the management team, will lead the discussion with his perspectives on the business performance and the strategic overview.

He will be followed by Mr. Alpesh Dalal, who will give us perspective on the financial performance. After the management's comments, there will be an opportunity for getting your queries answered. I would like to state that some of the statements made on today's call could be forward-looking in nature. And a detailed disclaimer in this regard has been captured in the conference call invitation available on the stock exchange website.

I would now like to invite Mr. Keshav Bhutada to take this discussion forward. Thank you, and over to you, sir.

**Keshav Bhutada:** Yes, very good morning, everyone. I'm Keshav Bhutada, I'm from the senior management team. And in this call, I will be briefing you about the operational performance of the third quarter where I'll be taking you -- I'll be running across various business segments, where overall in Shilpa Medicare business, we have mainly four verticals, which is API, formulation, Biologics and BioCare, okay. These are the four main segments on which I will be running a small brief.

So first, let me start on the API business. In API, totally, we have five verticals in which oncology, non-oncology, CDMO, peptides and polymers so where oncology being our legacy business where Shilpa Medicare is very well known for and which is our core business where our focus is -- remain continuous, where we are focusing on more of a complex APIs and some important products -- complex products where we can get the early launch possibility or good market share.

So when I talk about oncology in this quarter, we have successfully started the validation of first product, which is Methotrexate, which is a fully import substitute product, which we are planning to finish it before April of 2024. Apart from that, in the oncology space, I'm happy to say that we are supplying to some of the innovator companies also, the generic APIs for their specific applications where to one of the US innovators whom we were supplying, they could get a breakthrough designation also. And this business will remain steady, and it will grow quarter-on-quarter.

So same way now, let me brief about non-oncology business where you would have seen over every quarter-and-quarter where there is a substantial growth, where, again, the company is mainly focusing on the import substitute products or complex products, where two of the main projects, which we have added, which is Ursodeoxycholic acid and Tranexamic acid.

In both the products, whatever capacity we have scaled up, we were able to sell, and there is -- we have seen that there is a subsequent demand in the market. I'm happy to share that Ursodeoxycholic acid, the CEP is also filed by the company, and we are expecting the approval of the DMF and CEP in this year.

Apart from that, in the Tranexamic acid, where currently our capacity is 15 metric tons per month. We are enhancing it to 25 metrics tons per month and the project is already initiated, expecting to complete that project by December 2024, with which we are very sure that we will be able to further enhance our non-oncology revenue, which will further help us in growing our API business.

Apart from that, Shilpa has -- the company is completely investing on CDMO business, polymer business and peptide business, where it has been continuously investing in last 2 years, where we have seen already a return on investment in the CDMO business, where every quarter-on-quarter, there is a substantial growth, which is further adding to the growth of API business.

Today, in the CDMO business, we have more than 10 clients, who are -- where Shilpa is developing either intermediate or an API for them, which is going into a Phase I supply, Phase II supply or Phase III supply. I'm happy to share that we have more than 6 Phase I programs actively going on and 1 program which has entered into the Phase III trial.

And we have also developed 1 API for 1 of the US customers, where the API successfully done. We have also developed a formulation for them, which is a new chemical entity, which will be filed by our partner sometime in June '24, with which we are very sure that further, this will also add us to a substantial growth.

Apart from that polymer business, which is a focused business where we have focus on more of a specialty polymer, where we have continuously added client every quarter-on-quarter, and the business is growing every quarter double-digit. And we are very sure that this business, we have currently more than five clients, in which two are the -- two big clients to whom we have supplied them the pilot quantities and -- where the commercial supplies will be starting in the next financial year.

Apart from that peptide segment where we have always been very focused, where from last 2 years, we have been investing. I'm happy to share that our first CEP of peptide Desmopressin is filed in Europe. And the second CEP of the product, octreotide will be filed in March. And now on every quarter-on-quarter, we will be trying to file at least one product CEP in the regulated markets.

So in peptide business also, we are seeing a decent traction from the market where we have got one peptide CDMO project from one of the European companies, where the revenues have

started kicking in. So with this, we are very optimistic about our API business, and we are sure that we'll be growing this business quarter-on-quarter.

Now talking about formulation business, which has been our focus area, where I'm happy to share that formulation business also, we have had very significant milestones in the third quarter, where our first product, which is Pemetrexed ready to use, which had received US FDA-NDA approval in June of this year. And after that, we have applied our product for J-Code also.

And we have got a J-Code for this product where J-Code is a specialized market where today the market is around $130 million. And with the granting of J-Code, we have already partnered with Amneal, which is the number one still in the top five US generic companies. And they will be launching our product in April, and Shilpa will supply them the quantities in March.

Apart from that, our second NDA product, which is Bortezomib where we have, again, then the site transfer, the facility transfer is finished. And our product -- additional site also, we are filing in the February. And this, again, being a new chemical -- NDA 505(b)(2) product where we will have a very good advantage because it will be the first ready to use subcutaneous product in the market.

Apart from that, we are happy to share that we had filed a prucalopride US generic product, which is an ANDA where we have got a CGT designation, which is competitive generic therapy. And if we get a first approval in this product, we will have a [inaudible]. So we are trying our best, and we are continuously working with the agency to get secure the approval of this product in the next year.

Apart from that, the two unique differentiated products, which Shilpa Medicare has developed, which we have mentioned in the presentation also, which is SMLNUD07 which is a product which we are developing for NAFLD, non-alcoholic fatty liver disease, which is first of its kind, very unique product. I'm happy to share that we have got a permission to start the Phase III studies, and our patient recruitment has also started already. And we are planning to finish this study sometime in June.

And subsequently, in the Q3 FY '25, we will be filing this product in India. Apart from that, the second product, which is SML TOP09, which is a topical product for Androgenetic alopecia, which is, again, first of its kind product what we have developed, where company has successfully finished the Phase I studies. And now we have got a permission to start the Phase III studies also.

And going forward, we will be starting the Phase III study sometime in April or May of FY '25. Apart from that, Dr. Clot, which is a Tranexamic acid spray, what we have received the CDSCO approval already. And in this product, we have further -- tried to work with various government agencies where we have tried to get essential drug list -- the product getting listed in essential drug list. And I'm happy to share that today, this product is approved in Project Bhishma, which is run by PMO.

And further, we are working with PMO how we can work with this product in the Army segment also. Apart from that, in the transdermal patch and the ODF facility, where we have a U.K.

MHRA approved facility, where in the last quarter, we had seen that we have already partnered for 1 of our transdermal patch products with the European company.

The product is on track for filing sometime in September of FY '25. And we have successfully finished the registration batches and the clinical study has already started. And upon filing of the product also, there are milestones for licensing fees. And then upon launch, there are again milestones and then the commercial support. So on the first transdermal patch, we are on track for getting the filing and subsequently approval.

Apart from that, we have also added 2 new transdermal patch products for which the development has already started, and we are on track to give -- take it to the market. Apart from that, in the ODF space, in the orally disintegrating strip platform, we have filed Tadalafil ODF in Europe, which is, again, first of its kind in Europe.

And again, for this product, there is an interest from partners, and we are discussing on partnering. And this product also, we are expecting to get approval in next year. And again, to give you an update on the regulatory inspection, on our Jadcherla facility, which is our formulation facility, we had an audit from European authority, which we cleared with 2 minor observations. And further, we are working with agency on clearing the inspection also.

Apart from that, we also had a US FDA inspection in November 2023 where the company had received 10 observations. And subsequently to 10 observations, we have given response to the agency. And currently, the facility is still under OAI, and we are working with the US FDA for further action where they will be giving us how we should work further with the US FDA. But I would like to emphasize that there was no repeat observations, no data integrity during the recent inspection also.

And company is very clearly working on a strategy where whatever products, which will give us a substantial growth in next 2 years. There, already, we have done a facility transfer. And from there, we are planning to launch. So there will be no impact of this on the revenue on both EBITDA as well as on the turnover -- top line.

Now coming to biologics, which is biologics which is -- which has been a pain point for us from last 3, 4 quarters. I'm happy to share that this quarter, we are having a positive EBITDA in biologics which is purely because of our focus in the biologic space where we see there is a lot of opportunity. And going forward, we are very positively focusing on the biologic space to give a more positive growth.

In biologics, our first product, Adalimumab, which we had received the India approval. Subsequently, we have launched on our own and also we have partnered with Sun Pharma where we have done up to currently 2 commercial supplies. And every quarter, they have a binding forecast against which they are giving us orders, and we are giving them the supplies.

Our second product, which is Eylea, aflibercept, where I'm happy to share that we have got a permission to start the Phase III study. Our clinical trial batch has -- the scale-up has started and we are planning to start the aflibercept India clinical study sometime in April of this year. And subsequently, it's a 1-year study, and we have already seen a lot of traction from various partners

in partnering which Shilpa on this product and company is very seriously working on partnering for aflibercept also.

We have also filed a European scientific advise for this product in this quarter. And we are expecting a response from the European authorities sometime in March or April of this year. Once the European advice comes, they will give us the clearance or they will give us suggestions that how we should move forward for Europe for this product. Based on it, we plan to start the clinical studies for Europe also in next year or we will go for partnering.

So this is something where we are clearly -- and apart from that, we already are running one of the CDMO projects in biologics with one of the Korean companies. I'm happy to share that the project is going on track with respect to deliverables. And once the first phase of the product is -- project is finished, there is a second phase of the project, which will be starting in next year.

And subsequently, the bigger supplies will start. So the project is going fine, and we are seeing a very good traction from various customers in biologic space where they want to get some CDMO services done in our biologic space. And we are working seriously to [inaudible] EBITDA every quarter-on-quarter.

And the last segment, which is Shilpa BioCare where recombinant human albumin, which is the first of its kind product which we have developed. I'm happy to share that our Phase I studies are going on track. And we are planning to finish it by March of this year, where all the patient dosing is already completed and the bioanalytical phase is going on.

And once this is done, we will be filing back to the agency sometime in April, and we expect to start the Phase III study sometime in June. And apart from that, the BioCare project where we are building a large-scale fermentation facility, the project is going on track and planning to commission this facility sometime in July or August of this financial year.

And subsequently, the various products for albumin, we will be doing the validation and we will be adding this facility also with our albumin from where we will be planning to have a commercial launch. So overall, I'm -- to consolidate, I would tell you that company is very focused and we are seriously focusing on monetizing of each of the assets. And every segment, we are trying to see that we build it and convert it into a positive growth segment or a positive EBITDA so that it will not hit our balance sheet and it will grow.

And I now leave it to Mr. Alpesh Dalal to give highlights on the financials.

**Alpesh Dalal:** Thanks, Keshav, and good morning, everybody. I'll now quickly provide financial highlights for the third quarter and 9 months ended December '23. From a revenue perspective, we reported a steady quarter with consolidated revenues of INR289 crores, registering a year-on-year growth of 9%, whilst our EBITDA of INR68 crores is higher compared to INR62 crores sequentially and INR34 crores during the same quarter in the previous year.

This EBITDA of INR68 crores, I would like to clarify, is after making certain one-off provisions of receivables to the extent of INR4 crores. And I'm also happy to state that this is the fifth consecutive quarter where we have seen improvement in our sequential EBITDA. So quarter-

on-quarter, we have been improving our EBITDAs in the past 5 quarters. And this is on account of our continuous endeavour to optimize our costs and enhance operational efficiency, whilst rationalizing our R&D investment. And R&D investments are getting rationalize, but that is without impacting our development timelines.

Now I would also like to clarify that this enhanced EBITDA performance has translated into a positive result at PAT level with a quarterly PAT of INR4.7 crores as compared to INR1.6 crores during the previous quarter and against a loss of INR6.6 crores during last year same quarter.

On the financial highlights for the 9 months of the current year, our revenue for the period stood at INR866 crores, reflecting an increase of 8% and EBITDA stood at 80%, registering a growth of 127% over the same period last year.

And now moving on to other financial parameters. Our net debt as at 31st of December was INR874 crores. And our capex in the first half was INR146 crores, majority of which has been invested in our upcoming albumin facility, which is roughly about INR117 crores out of INR146 crores as we invested there. I'm also happy to report that during the first 9 months of the current year, we have generated positive operating cash flows with a tune of INR134 crores, which helps us provide the right growth impetus to our business going forward.

And with that small update, I would like to open this forum for Q&A.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press * and 1 on the touch tone telephone. If you want to remove yourself from the question que you may press * and 2. Participants are requested to use handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question que assembles. We have a first question from the line of Ranvir Singh from Nuvama Wealth & Investment. Please go ahead.

**Ranvir Singh:** Thanks for attending my question. So I had a couple of questions, 1 related to this albumin, how much investments so far we have made there including you mentioned in this quarter. So what was the total investment there?

**Alpesh Dalal:** So in albumin facility, we have invested a little over INR300 crores as of now.

**Ranvir Singh:** Okay. And how much more investments are expected there, including the trial expenses?

**Alpesh Dalal:** Yes. So basically, in completing the facility, we would require another INR30 to INR35 crores of investment, maybe max approved of INR40 crores. But in next INR30 crores, INR35 crores, we should be able to complete our facility. As far as the trials are concerned, Keshav, would you like to put throw light upon it?

**Keshav Bhutada:** Yes. On the clinical trial up to for Phase I studies, we have already spent up to INR4 crores to INR5 crores. And in Phase III study, we will be spending around INR10 crores.

**Ranvir Singh:** Okay. And that Phase II study should be by end of FY '25?

**Keshav Bhutada:** Yes. The Phase III study, we will be starting sometime in FY '25, and we will be finishing also in FY '25.

**Ranvir Singh:** Okay, fine. Secondly, on polymer side, that I wanted to understand the overall market size we are aiming at and what kind of potential we can see from this business. If you could give some highlight about the kind of client we have? What potential we can see in terms of revenue?

**Keshav Bhutada:** Yes, the polymer space, mainly the we are focusing on a specialty polymer, okay, where to be more specific, we are actually working on some of the pegylated products, which is a very differentiated polymer, which is used mainly either in some specific applications like drug delivery or in ADCs, which is a very growing segment, right?

So what we are doing there is we are working only on a specialty polymer, okay, where the market is growing every year on a double-digit growth. And also there, we are working with various US and Europe clients currently, where we have been working with them either on an ophthalmic where they are using this PEG and using it as a drug carrier or we are working with some other companies for a very differentiated application.

**Ranvir Singh:** Okay. So how big it could be? This may be a very significant portion of our overall revenue in next 2, 3 years so that I wanted to be there.

**Keshav Bhutada:** Yes. See, currently, in this year, we will be doing almost INR15 crores in polymer business, which next year going forward, it will in next 2 years, it will surely touch above INR100 crores.

**Ranvir Singh:** Okay. That's nice. And in biologics side, the CDMO project working with the Korean client so what's the timeline there? When can we expect the revenue coming to our P&L from this project?

**Keshav Bhutada:** Yes. See, there is already some revenue which has already come in. You would have seen in Q3 also. And now going forward, the first phase of the project, we are planning to finish it by April, okay? After that, the second phase of the project will also start. The first phase of the project, the total value of the project is INR6 crores, okay? And then the second phase will be much more than INR6 crores.

**Ranvir Singh:** Okay. Okay. Nice. So I think the INR13 crore CDMO revenue includes that INR13 crores what we have generated in this quarter so that includes part of revenue coming from this?

**Keshav Bhutada:** No. See, the INR13 crores, what you are seeing is in Shilpa Pharma Life Science, okay, which is the API business. You will see a Shilpa Biologics business where it will be coming this, whatever I'm talking on the biologics.

**Ranvir Singh:** Okay. Fine that's it. I have a couple of questions but I think more participants would be there so I will be back in que.

**Moderator:** Thank you. We have a next question from the line of Shaikh Mohamed Ayan, an Individual Investor. Please go ahead

**Shaikh Mohamed Ayan:** Thank you for the opportunity. Sir, my question is regarding one spray that previously we have launched in maybe in 2021 or '22, which is for keeping the low pH intimate areas. Just want to

know what is the status of these products and whether we are launching it or -- just want to know about it?

**Keshav Bhutada:** No. Currently, we are not launching that product because internally on various assets, we have done a very clear plan where we felt that this is not a segment where we want to move forward, where -- because it requires very much of investment to build the field force and partners. So currently, we are not moving ahead with that product.

**Shaikh Mohamed Ayan:** But I think it is a very unique product because the product available in the market has already monopoly on it, and that is also a liquid form. We have, I think, launched spray -- in the spray form. Dont you think it's worth to move forward for that?

**Keshav Bhutada:** No, you are right, but it requires lots of effort from our side, either if we go ahead for partnering or if we have to launch on our own, then we have to build a significant field force, which is not our core segment. So currently, we are not focusing on it.

**Shaikh Mohamed Ayan:** Sir, you have -- another question is regarding the age spray, you have shown in the investor presentation. What is the market we are trying to attain for that product particular? Sir, we are launching in India? Or -- I don't know about where it is -- you have launched, but I just want to know where we are serving that product?

**Keshav Bhutada:** Yes, you are talking about Dr. Clot. Is it correct?

**Shaikh Mohamed Ayan:** Yes, yes. Dr. Clot, yes, yes. You are right, sorry.

**Keshav Bhutada:** See, that is a product, currently, our major focus is on India where we are trying to work with various government authorities because we are targeting 2 main segments in this. One is wherever there is a bleeding, whether it is a humeral bleeding or a very detailed bleeding, there we are targeting.

And apart from that, we are also targeting dental area, okay, where we see that there is a huge scope if we work with Army as well as the public dental hospitals. So that is the main focus where we are currently working. And this will grow the product has a lot of regulatory procedures, so it is taking time. Once we launch this product, then it will really be a big product. And we are very much focused to take up this project further.

**Shaikh Mohamed Ayan:** Okay, sir. Sir, just 1 last question. Sir, you told about update regarding that Form 83 and we have arranged for cause inspection. Just give an update for that matter fully. I was a little busy over for that. Just give an update again, sorry for that.

**Keshav Bhutada:** Yes. I'll again repeat. So we had a US FDA inspection in November of this last year. And subsequently, after the inspection, we had received 10 483s, and to the 10 483s, we have given the response to US FDA. And currently, the status is the facility is still in OAI, and we are working with agency how we should move forward and what is the way forward. So we are waiting for the updates from the US FDA.

**Shaikh Mohamed Ayan:** Sir, how much time it will require to give an -- to receive update for that facility? And sir, when we are targeting to get that plant to US FDA approved in 1 year, 2 years, some quarters like that?

**Alpesh Dalal:** Shaikh Mohammed, see, the thing is this is something where it is with regulatory authorities and what action they take, at what point in time they take is beyond our control. So we can hope that they respond quickly to us. But at this stage, we will not be able to comment about the timing of it and what point in time can be expected. It is purely prerogative of the agency as to when they respond and how much time will they respond.

**Shaikh Mohamed Ayan:** ok. Thanks a lot

**Moderator:** Thank you. Ladies and gentlemen, to ask a question may press * and 1 on your phone now. We'll take the next question from the line of Kartik from Samatva Investments. Please go ahead

**Kartik:** Thank you for the opportunity. So for the consolidated results for the first 9 months of this year and compare it with the previous year correspondingly, I would like to understand the split between the volume growth and the price growth between the 2 major segments of our revenues, which comes from APIs and formulations, considering that biologics boost do not yet significantly contribute to our revenue.

**Alpesh Dalal:** Yes. So Kartik, we -- you can reach out to our team separately to get some of these updates. It will -- we can provide you this answer 1 on 1 about volume growth and value growth.

**Kartik:** Sure, sir. Sure, sir. The so then relatively now this is a broad-based question. We have been observing that Shilpa's revenue split between oncology and non-oncology is currently roughly at 50-50 or so, very near to that piece. And there has been significant decline in oncology revenues and has been ably substituted by non-oncology revenues. Now should we understand that there is a material change being witnessed in the core value proposition of the company? And what currently Shilpa stands for and what is the key differentiator?

**Keshav Bhutada:** Yes, I will take up this answer. So see the dip in the oncology revenue is only because of the Intas where you would be aware that Intas, who is our big supplier for the oncology API, they have got 483s and they are working with US FDA on remediation, okay? So you will see that for next quarter -- up to next quarter, there will be a dip in the Intas business on the oncology space, which we are coping up with our non-oncology as well as CDMO, polymer and peptide. Together, they are trying to replace this revenue.

And even in the oncology space, we already are supplying apart from Intas to many of the other players as well as to some of the innovators where we are supplying for their Phase III or for Phase II supply. So that business is picking up. So what we are trying to say is we are not defocusing from oncology. Oncology still remains our focus area. There is a dip in the oncology revenue only because of Intas remediation issue.

**Kartik:** Just last question before I pass it on to the other participants here. The company previously informed that the market size for albumin is very big and probably to the tune of USD7 billion to USD9 billion. Now considering that we will be soon completing the Phase I trials for the

albumin project and we'll move on to the Phase III, which, of course, delayed and you have explained the reason for the delay and all that.

Now and we are also excited to probably launch the excipient version soon because it is a non-therapeutic use. Could you please explain is this the plan that we will launch the nontherapeutic use for albumin very soon, probably this current financial year or the next financial year, and the therapeutic will come probably after FY '26?

**Keshav Bhutada:** Yes. See, as you rightly said, in albumin, there are 2 markets. One is the therapeutic market where there is a requirement of clinical studies. And the second is excipient and cell culture grade, where there is a requirement of filing a drug master file, okay? So our drug master file for the excipient grade is ready, and we are planning to file the DMF for this product in March, okay?

Once we file it, then people will review our product where initially, they will take up small supplies, okay, where they will use this our product in this formulation and see how it is behaving, then they will add our product in their drug product. So this will take at least 1 year time. So the revenues, whatever we will be talking, either it will be excipient grade or cell culture grade or a therapeutic grade, it will start coming from FY '26. Is it clear?

**Kartik:** Yes, sir. Thank you so much

**Moderator:** Thank you. We have a next question from the line of Aditya Sen from Robo Capital. Please go ahead

**Aditya Sen:** Hi. Thank you for the opportunity. So we have started tracking this company a month back, and we have seen that there is a significant increase in the capex, some of which you already explained. But in past 3 years, we have increased our fixed assets by roughly INR400 crores. So I just wanted to understand if we have started utilizing this asset completely? Or if not, where is the capacity utilization for the capex?

**Keshav Bhutada:** Yes. Alpesh ji, I will take up this question.

**Alpesh Dalal:** Sure Sure

**Keshav Bhutada:** So coming to capex, I will be very clear that our majority of capex, which is going on, is only for the albumin project, okay? Apart from that, what we are very clear that for next 2 years, we don't require any significant capex in other segments. Only we will be doing some expansion where we see an immediate return on investment in 1 or 1.5 year. Only there, we are doing our major capex, okay?

What we are trying to do is wherever we have already done capex, we are focusing on monetizing those assets, which you would have seen in the biologics, which in this quarter. Same way we are planning to do in our transdermal patch facility where we have already done capex, okay?

So overall, in the next 2 years, if you asked me, the major capex only will be in the Shilpa Bio Care and some capex we will be doing in the API business like Tranexamic acid capacity and

expansion, which I already briefed in the call, which will give us a growth. So we are not planning any other high-value capex. Is it clear?

**Aditya Sen:** Yes, that's clear. But in terms of capacity utilization, if that's a number, that's possible for you to share?

**Keshav Bhutada:** See, in terms of capacity utilization, to tell you accurately, it is very difficult because every facility has multiple production blocks and to give the answer in very crisp, it will be difficult. So I will not be able to tell that. But what I can tell you is in the biologics space, still, there is a lot of capacity, which we feel that which can be utilized, which will further convert into revenues, okay? So you will see that there is a capacity which is available in biologics and in our transdermal patch facility, which we are working with various clients and getting it occupied over every quarter.

**Aditya Sen:** All right. And any asset turn that you are expecting on the biologic's facility or the INR360 crores Capex that we did last year in terms of asset turnover, if you can guide us?

**Keshav Bhutada:** Sorry, your question was not clear. Can you repeat?

**Aditya Sen:** In the albumin, we did we have done roughly INR300 crores of investment till now. And we will be doing 40 Cr more. So here, the if you can guide us the asset turnover or the maximum potential revenue that we can assume?

**Alpesh Dalal:** So see yes, I'll take this, Keshav. See we are setting up this new facility. And this particular facility, as was discussed by the earlier, has potential first to do excipient grade material, then do a complete full-fledged product over a period of time. So these are early days. It will not be appropriate to comment about how much will be the asset turn.

But yes, this particular product is a product which is in significant short supply globally. And hence, the demand for this product is expected to be very high. So at the right point in time, we will update you once we have progressed further on this product as to what is the maximum potential that can be realized out of it.

**Aditya Sen:** All right sir. Thank you

**Moderator:** Thank you **.** participants who wish to ask a question may please press * and 1 on their phone . The next question is from the line of Tushar Bohra from MK Ventures. Please go ahead

**Tushar Bohra:** Thanks for the opportunity and congratulations to management for improvement in the numbers rationally. Sir, first, we see a consistent buildup on the licensing income side. It has been highlighted by management across successive calls on the individual products or opportunities that are being licensed out. But just to get a sense of overall strategy for licensing across all our segments.

If there's a ballpark number, let's say, how many molecules across if the API formulations and on the biologics side, how many opportunities or projects specifically, which have already been licensed out? How many are potentially under discussion? And one the one that has been

licensed out, are there any products that are maybe close to a further monetization of the royalty generation stage or maybe we'll get there].

And I just want to understand, first question, what is the number of projects independent numbers of projects have been taken up for licensing, say, across different segments? And of these, which are the ones that are close to royalty generation stage or where we can expect a continuous revenue stream? And how should we look at licensing income going forward?

**Keshav Bhutada:** Yes, Tushar, I'll give you a clear answer on that. So first thing, what is licensing revenue, whatever we are getting is what we have done is each of the assets where we will require either a more investment going forward or we see a good potential because we are a pure B2B company. What we are doing is -- for all of that, as said, we are going ahead and partnering with the end partner, who will be marketing our product, okay? That is first point.

And coming to the number of products, see, every quarter, we are doing at least 2 products licensing revenue. And already, there is a rest of the world market where we have maybe more than 30, 40 generic products, which we are going ahead and licensing in each of the rest of the world market, okay? So if I tell you in brief that every quarter, there will be 2 new licensing opportunities and existing rest of the world business, which where the lot of genetic products, what we are developing or what we are filing, that revenue will come, okay?

And coming to royalties or coming to sales, there is nothing like royalties mainly in this -- all licensing projects what we are doing, there are 2 things. One is upfront, there is a licensing fee on various milestones. And then there will be a commercial supply and then there is a profit share, okay? These are the 3 main principles, on which we work where the first product is Pemetrexed where we will be starting to see the licensing the commercial revenue as well as the profit share revenue from next year.

And then there is a subsequent product where the next product will be Bortezomib, then we have various products like Rotigotine transdermal patch, and then there is a series of products where we are already discussed. Is it clear?

**Tushar Bohra:** Yes, yes. That's helpful. Second, the transdermal unit and let's say, polymers and peptides, what would be the kind of capital we would have employed so far, either through R&D or through capex? And for the transdermal, specifically, do we expect a breakeven in this financial year or say, FY '25?

**Keshav Bhutada:** Yes, Tushar, in the transdermal facility and ODF facility, we have invested more than INR200 crores. And there, already, we have done a licensing revenue with one of the European partners where we have done a PAN-Europe and ROW deal with them. And we would see a breakeven starting in from that plant from FY '26, okay? But already, whatever is the expenditure which we are having currently, against that, we are having a much better licensing revenue.

So if I tell you today, it is not hitting my bottom line, and it is a positive EBITDA generating unit, okay? And coming to polymer and peptide, together in polymer and peptide, we have invested more than INR75 crores, and where already the polymer, we have started seeing ROI where we have clients from where the revenue is coming. And next year, it will give me a much

better return, okay? And in peptides, still, we have not seen an ROI, and ROI will start coming in from next year.

**Tushar Bohra:** Got it. And on the biologic's facility, the we are expecting to be profitable at a PAT level in next financial year. Is that a fair assumption?

**Keshav Bhutada:** Not I can only tell you I cannot give you an exact number, but we are focusing mainly on EBITDA because we have a debt already there. So I can tell you from an EBITDA standpoint, we are focusing on being positive.

**Tushar Bohra:** Got it sir. Thank you so much

**Moderator:** Thank you . We have a next question from the line of Kartik from Samatva Investments. Please go ahead

**Kartik:** Thank you everyone for the opportunity. In the capex front, we have mentioned that we are now ending the large capex cycle. And going forward, probably, we would need around INR50 crores per annum and mainly for maintenance capex or opportunistic enhancement in capacity where we find a good return on investment in the near term. Now would this also mean that the trial cost and registration costs for both the API formulations as well as biologicals have covered in this INR50 crores itself? Or is it separate?

**Keshav Bhutada:** Sorry, your voice was not clear, Kartik. We couldn't hear you. There was an echo.

**Kartik:** Okay. Okay. Should I repeat? Am I...

**Moderator:** Can you use your handset mode please, Mr. Kartik?

**Kartik:** Yes, I'm on the handset, ma'am. Am I audible right now?

**Moderator:** Sir, can you confirm, please?

**Keshav Bhutada:** Yes, now it is okay.

**Kartik:** Okay. So my question, I'll just repeat it once again. We mentioned that we are at the end of a large capex cycle that we have been doing for a few years now. And going forward, we would probably need around INR50 crores give and take, mainly regarding the maintenance capex and any opportunistic enhancement in certain products where we find a good return in short term.

Now does this include -- that this INR50 crores include the trial cost, registration cost of both biologicals, any API and formulation filings? Are these taken into account in this INR50 crores itself?

**Keshav Bhutada:** No, no, Kartik. That is not taken care because it is up to us that how many products we want to do the clinical studies and how we want to move ahead. But as I clearly mentioned, what we are trying to see is in whichever product, we will see a big clinical study cost. We are going ahead and partnering with the end partner, okay?

So that there is an upfront licensing fee from them. And against that, some part of the study is funded also, okay? And then we have also internal cash flows, which are kicking in from next year, which will have further growth so together that will take care of the steady cost, that is the thought process.

**Kartik:** Okay. Thank you so much. And there's a second last question which I have is, we have earlier mentioned that probably in the biosimilars program, we would launch molecule in every 6 to 8 months, are we still on track with respect to this? Or something has changed in a positive direction?

**Keshav Bhutada:** See, as I clearly mentioned you, Adalimumab is 1 product which we have already launched in India. Apart from that, what we are trying to see is these products, we see a lot of potential in the rest of the world market [inaudible] that already we have started the licensing of this product in certain regions, okay? So it will depend on the regulatory agency how fast they can review and how fast they can approve. So what I can tell you is every year surly we will have 1 new launch, okay?

**Kartik:** Okay. Thank you so much.

**Moderator:** Thank you. We'll take our last question from the line of Chetan Gade from Potdar Private Limited. Please go ahead

**Chetan Gade:** Thank you for the opportunity. Sir, I can see we have a lot of products in pipelines in Phase I, Phase II trials. Can you please provide us with rough numbers of what will be the EBITDA contribution from all the products?

**Keshav Bhutada:** No. I think it will not be appropriate for me to comment on EBITDA of these products currently, but what I can tell you is for each of the products, we see a very good potential and we are already starting in lot of interest from various partners, okay? And next year, you will see that we will start licensing out also these products what we are developing, okay? So that is what I can tell you. And this will have a very sizable contribution to EBITDA going further.

**Chetan Gade:** All right. And one last question. Is there any plan to reduce the debt?

**Keshav Bhutada:** Pardon?

**Alpesh Dalal:** He's asking about debt reduction. Yes. Yes. That's Chetan, we are working very systematically on a debt reduction plan, and we are working on certain initiatives including the internal cash condition that we are having, that we are working towards making the full group debt free in the next 2 to 3 years' time period. That's a target with which we are working right now.

**Chetan Gade:** All right. Thank you so much

**Moderator:** Thank you . As there are no further questions, I would now like to hand the conference over to Mr. Alpesh Dalal for closing comments. Over to you, sir.

**Alpesh Dalal:** I would like to thank all of you for your continued interest, and we had a very interesting set of questions coming in. We would continue to be available if you have any further questions, please

reach out to our teams. And I would like to thank all of you for your interest in our company. Thanks a lot.

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