Shilpa Medicare Limited
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Email: info@vbshilpa.com, Web: www.vbshilpa.com
CIN: L85110KA1987PLC008739

31 May 2023

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/Ma'am,

Sub: Transcript of the Q4 Conference call
Scrip Code: BSE - 530549/Stock Symbol: NSE – SHILPAMED

In furtherance to our intimation dated 25th May, 2023 with regard to the Q4 FY 23 conference call held on Friday, 26th May, 2023 at 1 PM 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: 2023.05.31 16:44:33 +05'30'

Ritu Tiwary
Company Secretary & Compliance Officer

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SHILPA MEDICARE LIMITED

Q4-FY23 EARNINGS CONFERENCE CALL TRANSCRIPT
MAY 26, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Shilpa Medicare Q4 FY23 Earnings Conference Call.

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 Mr. Siddharth Rangnekar. Thank you and over to you, sir.

Siddharth Rangnekar: Good afternoon everyone and welcome to the conference call hosted by the management of Shilpa Medicare Limited to discuss the "Quarterly and Annual Performance" for the period ended March 31, 2023, and the discussion on strategic initiatives that are underway.

The Management is being represented by Mr. Omprakash Inani – Chairman of Shilpa Medicare, Mr. Vishnukant Bhutada – Managing Director, and Mr. Alpesh Dalal – Chief Financial Officer.

Mr. Vishnukant Bhutada will lead the discussion with thoughts on the business model and his perspectives on the strategy. He would be followed by Mr. Alpesh Dalal who would give financial perspectives and share them with you. There would be an opportunity to get your queries answered at the close of the opening remarks.

Before we commence, 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 on the conference call invitation which is available on the stock exchange's website.

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

Vishnukant Bhutada: Thank you for being present on our call today to discuss Shilpa Medicare's 4th Quarter and Annual Results. Whereas I will focus on the operating and the strategic progress made during the year, I will be joined by our CFO – Alpesh, who will cover the financial aspects with you. Once we complete our remarks, we would like to invite queries and questions from the participants.

Before I begin on the each sector-wise, I wanted to highlight some of the key things which have happened during the last year and as on today:

The most important approval which we received from the 1st NDA of Shilpa is Pemetrexed RTU which is one of its kind in that particular Pemetrexed product. It is RTU and then the second one is a room-temperature-stable product we are doing it. This product will be launched along with the partnership with Amneal in the US. We

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are preparing ourselves for the launch because this is a launch-on-approval product. So, maybe in another 1-2 quarters, hopefully we should be able to launch this particular product from the third party.

The second most important is we have received the Albumin. Phase-1 trial has been already started. As you know, albumin is a life-saving product and always it is in a shortage. So, we are doing the recombinant Albumin. Phase-1 is already started. Hopefully, we should be able to complete this Albumin Phase-1 by this year end, and once that is completed, we will submit once again to the authority for the next review. The second most important product is Aflibercept, as you know that the Aflibercept is a very complex product in the ophthalmic range. As far as our knowledge goes, the Aflibercept Phase-3 trials in India nobody has started for the India launch. So, we are starting now the Aflibercept Phase-3. We have received the permission also from the authorities to start the trials. In 1 or 2 months, we will start the Aflibercept trial also for the India launch. We are trying to develop this particular product for the global market. And with this, we will be able to try to file into the various ROW, EU, as well as the other markets we will try to file this particular product. Aflibercept is, again, most important which we have started Phase-3 study.

Again, the Adalimumab which is we are waiting for the clearance from the authority on a high-concentration Adalimumab. We are trying to see that this month or by this quarter, we should be able to launch this Adalimumab into the India market. And we are trying to focus to file this Adalimumab into the various ROW as well as the EU market at least.

As you know that we have made the investment in several long gestation projects with a high earning potential, the import alert of FDA squeezed the cash flow. I will give an update shortly of the FDA separately. But the most important is that the investment whatever we have made into the API, onco API, peptide, polymer, CDMO business, these are all businesses which require a gestation period and huge CAPEX. We completed almost all work which we need to complete. Onco is our main portfolio, API is the cash giving division, and we are working on all the products thoroughly. The second most important happening in this that the peptide which we are trying to take; already exhibit batches of the 2 products has been completed. This year, we are going to complete the Liraglutide and Semaglutide exhibit batches also in the API.

Polymer is again the division which we are focusing and where complex polymer we are trying to make it and give it to the innovator or somewhere as the carrying agent in the formulation. The CDMO business I am happy to say that some of the customers whom we have delivered the CDMO came back to us and they are giving the second project or third project. So, CDMO business again will try to give the revenue from this year onward also. And we are trying to see the API, which is non-oncology API which has a high potential in the growth as well as the import substitute API. We are trying to do that also. So, API division continuously will grow as anticipated.

You will see the operating cash flow for the year which Alpesh will explain you separately. We are doing several cost cutting measures into the R&D including the formulation R&D. We are trying to shift our entire focus into the FTF which is 100% division of the Shilpa. There we are trying to focus and the R&D cost can be reduced regularly and that also will give a substantial saving on our cash flow. This is what the major things. We have launched the 5 nutraceutical products in the US from the film formulation. Transdermal patch Phase-3 study has been already started. These are the key things in each of the division we are trying to do which have a long gestation period. Reduction in the CAPEX also we are trying to do except the Biocare where the commercial plant for the Albumin fermentation we are creating 250 KL fermentation facility in India, which will take care of the Albumin once we do the commercialization. Not only Albumin, but several clean chemistry if really somebody

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wanted to start with the CDMO business, that also can be started. This is what the key remarks of the last year and the current year whatever we are trying to do.

Coming back to the API:

We have already explained that several DMFs have been filed. Almost (+200) DMFs have been filed in various geographies. And we will see that the revenue and putting up the focus on the marketing in that particular geography will give us additional revenue. Of course, from the polymer, peptide, the CDMO business, import-substitute APIs, increasing the capacity of the existing APIs, and focusing more customers on the existing APIs, this is what will add the revenue in the future for the APIs.

On the formulation front, whatever we have since February '21 due to the import alert, the cash flow was badly impacted. So, we are trying to see that all the remediation measures is almost completed and we have submitted to the FDA that we are ready for the inspection. FDA has said that they have seen our compliance reports. They will try to visit our facility. This is what the message we got from them. But the dates are not known to us. So, we are waiting for them when they will come for the visit. Other than the US, recently we have got the clearance from the Canadian authority. Then, again, all the regularly TGA also inspection has been completed. Recently, the Nacharam facility which FDA has inspected our facility for the quality, whatever products were manufacturing at Jadcherla and other sites all have been getting it analyzed at our Nacharam facility. That facility also has been recently got cleared from the FDA two times. Second time inspection also got cleared from the FDA. Other than the US FDA, Jadcherla facility I think we are clearing all the other authorities as well as customer inspection regularly.

On the complex formulation whatever we are developing, either we are transferring to the other facilities or filing it in the European market, ROW market, trying to get the licensing out of this. The assets which we have which have been created for the last 3-4 years, we are trying to monetize these all assets regularly. This is what the focus is there on the formulation and the reduction into the R&D expenditures which I mentioned. This will give the operating cash flow regularly.

Again, on the film formulation and transdermal, due to the UK MHRA approval of this facility and the launch into the US, the nutraceutical product, this will help us in building up the revenue also next 1-2 years will start giving us the revenue also from our Bengaluru facility for the film formulation and transdermal.

Biologicals as I mentioned that the Adalimumab, Aflibercept, and Albumin, these are the products were completed almost; the development has been over. Another 3 products are there in the pipeline like the Abatacept, the Prezalumab, and the Tenecteplase. These 3 molecules are there under development. These also for this year and the next year whatever we can do it, we will try to complete these molecules. We are taking the most complex project in the biologics also which will definitely give us a revenue in the future. On the biologics also, as I mentioned, but we have reduced the cost there also – rationalization costs on the R&D, which are the most important projects only we are trying to get. These all expenditures on the R&D also have been completed because of the 3 products have moved to the clinical level now. So, the major focus is reduction in the CAPEX. Other than the Biocare and some small CAPEX into the APIs, rest all CAPEX has been done. So, further, no CAPEX is required.

Managing the cash flow and trying to get the highest revenue as well as the bottom line is the focus for the current year. As we pride ourselves as a research orientation organization, the team has a rich domain expertise and we are looking to build a formidable niche in the categoriy where we are present. I am hopeful that by the next

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year, we will see this transformation taking place in the performance backed by a robust portfolio across the segments.

With this, I end my opening remarks and wish to invite the CFO to continue the discussion forward. Alpesh, over to you.

Alpesh Dalal: Good afternoon to everyone and thank you for being with us today for this earnings call. I will quickly share some financial highlights of our consolidated performance. During Q4, our overall revenues were flat at Rs. 266 crore compared to the sequential quarter that we look at. However, our better business mix in Q4 resulted in better margins for us in the Q4 and thus improving our EBITDA to Rs. 40 crore as compared to Rs. 34 crore in the previous quarter.

I would focus more on the Annual Performance to provide a clearer picture of our performance. Our overall revenues recorded an 8% decline at Rs. 1,068 crore as compared to Rs. 1,160 crore and this was mainly on account of the dip that we saw in the formulation business on account of pricing pressure across various markets. But this reduction or pricing pressure obviously has its impact on profitability and we have been able to reduce this overall impact by working on our efficiencies and reducing our costs. We have seen reduction in our costs mainly on account of lower remedial costs that we had to incur at our Jadcherla facility plus reduction in the plant-related expenses that were getting incurred. We have brought in efficiencies over there.

As an organization, we continuously keep looking at various initiatives for containing our costs and try to bring in more efficiencies across various businesses. We will continue doing so in the current year as well to bring in more efficiencies. As I was mentioning that whereas on the profitability front we have had a tough year but I am happy to share that we have tightened our overall operations and have been able to generate a positive operating cash flow of over Rs. 250 crore as compared to Rs. 140 crore last year on a consolidated basis. In Rs. 250 crore, we have also been able to release working capital of about Rs. 148 crore. We are overall tightening our operations in a manner that we are monitoring our costs, we are putting a close watch on our working capital requirements, and we are tightening our screws across the board to bring in more efficiencies and improve our overall cash flows. And that effort will continue even in the current year where we hope to keep working on the efficiencies across the board.

Our focus in this year and the coming years will continue to remain on the cash flow generation as the management of the company. Just to update that in the past, the company has been paying dividends fairly regularly, but in the current year, due to negative operating profit as well as the need for conserving cash, the Board of the company has decided not to recommend any dividend.

With this, I would like to close my commentary and would want to open the forum for Q&A.

Moderator: We will now begin the question-and-answer session. Anyone who wishes to ask a question may press * and 1 on the touch telephone. If you wish to remove yourself from the question que you may press * and 2 . participants are requested to use only hand sets while asking questions Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Ladies and gentlemen a reminder, if you wish to ask to any question please press * and 1

Our first question comes from the line of Shikhar Mundra with Vivog Commercial Limited. Please go ahead.

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Shikhar Mundra: I want to understand for the biologics, Adalimumab, what is the market we are targeting and what is the market potential and the revenue potential we are targeting?

Vishnukant Bhutada: Current market is whatever we are getting is for India market only. The high-concentration formulation was just recently launched by I think, one more company. The high-concentration market Adalimumab has a very good market. This is the highest selling product in the US and If you see in the biologics, the Humera is around $20 billion+ product. In India, we are launching this particular product. The revenue target will be around this year conservatively we are trying to see that around Rs. 20 crore to Rs. 25 crore we can do.

Shikhar Mundra: What is the expected launch date?

Vishnukant Bhutada: I think this quarter only, but max next quarter.

Shikhar Mundra: And how big is the India market you would say?

Vishnukant Bhutada: It's almost Rs. 100+ crore market.

Shikhar Mundra: Right now, it is being catered by the other companies or is it being imported?

Vishnukant Bhutada: It is catered by the other countries but it is not the high-concentration formulation; it's the old formulation.

Shikhar Mundra: What's the margin profile we would expect for this Adalimumab?

Alpesh Dalal: Essentially, biological products are better margin earning products as compared to API and chemistry formulations.

Shikhar Mundra: For Albumin, we are right now in Phase-1 trial, right?

Vishnukant Bhutada: Yes, Phase-1 we have started.

Shikhar Mundra: How long do you expect we will be able to launch it? When can we do Phase-2 and Phase-3 trials and then launch it?

Vishnukant Bhutada: I think 2024 end, we should be able to launch this product.

Shikhar Mundra: Is there a probability that our trials might not be successful? What would you say the likely probability? Will we be able to complete our Phase-2 and Phase-3 trials? Or is there a probability of the project being rejected?

Vishnukant Bhutada: No, project rejection I don't think there is a remotest possibility. Rather, there is a very negligible possibilities in this because we completed we have received the NBE (new biological entity) status. We have granted patent from the several countries. The most important in this is we have completed the sepsis study already in the animals. Now, we are doing the biologicals. Biologicals probably as you know, until and unless the biosimilarity is not proven, you will not be allowed to begin a trial. The chance of failure is remote.

Shikhar Mundra: And how big is the market for Albumin and the revenue we are targeting?

Vishnukant Bhutada: The market is huge. It's an all over the world shortage product. The market is almost $6 billion to $7 billion market.

Alpesh Dalal: Globally it is about $9 billion market and Albumin as a product, as Vishnuji was mentioning, is a shortage product. When we launch a product, we expect that it can have the effect of expanding the market instead of trying to capture an existing

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market. We can obviously get some part of existing market as well, but it can also have an effect of expanding the market because there is a significant demand and supplies are not there.

Vishnukant Bhutada: that is why we are trying to complete the facility The biggest fermentation facility we are trying to complete before we get the final clearance. Our commercial facility also should be validated. This is what our intention is.

Shikhar Mundra: These will be manufactured out of Dharwad, right?

Vishnukant Bhutada: Dharwad from there, it will be completed the trials. But the manufacturing will be done near Raichur.

Shikhar Mundra: Coming to the Bengaluru plant, I want to understand what are the fixed costs for the plant and what's the breakeven for the Bengaluru plant and our revenue potential?

Vishnukant Bhutada: I think that can be given separately once you send a mail. I think we should be able to give that.

Shikhar Mundra: Ok. Thank you

Moderator: Ladies and gentlemen if you wish to ask to a question please press * and then 1 Our next question comes from Tushar Bohra with MK Ventures. Please go ahead.

Tushar Bohra: thanks for the opportunity and congratulations to the management for better show this time. Sir, quickly, first on Albumin. While the pharmaceutical grades you mentioned 2024 end possible launch, we can also launch Albumin in excipient grade, right? If you could share the timelines around that and what are the initiatives being taken?

Vishnukant Bhutada: You are correct, Tushar. We can launch always the excipient grade or the other grade microbiological grade. That all can be done, but I think next year mid, we should be able to launch that also.

Tushar Bohra: For pemetrexed RTU, assuming we the launch it in the next 1 or 2 quarters as you say, what kind of revenue profile do you see possible in this year and next year? And over a stable state, what kind of size do you think this molecule can build conservatively and in an aggressive scenario?

Vishnukant Bhutada: As already given in the disclosure, we are working with Amneal on this particular product. Two days before only, we received this approval. We are trying to work with them and as this is manufactured in the third party, that will give us, but I can tell you one thing I think the same product of Eagle Pharmaceutical which is launched. This is RTD and 2-to-8-degree temperature product. That product is I think around $50 million to $80 million product that is.

Tushar Bohra: So, we should ideally be able to gain market share from that product as well as create a market of our own with better characteristics around room temperature storage?

Vishnukant Bhutada: Correct. This is what we are expecting from Amneal.

Tushar Bohra: We also have a licensing component, right? So, pemetrexed ideally with the product being approved, we should expect a licensing revenue as well?

Alpesh Dalal: As per the terms of the agreement, we will recognize those revenues.

Vishnukant Bhutada: Confidential information.

Tushar Bohra: Sure . I am done sir.

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Moderator: Ladies and gentlemen if you wish to ask to a question please press * and then 1 Our next question comes from Anuj Sharma with M3 Investment. Please go ahead.

Anuj Sharma: I think we mentioned there is another player who has been supplying Albumin in the Indian market. Is that correct?

Vishnukant Bhutada: No, we are not supplying anything in Albumin.

Anuj Sharma: I am saying another competitor offering Albumin in the Indian market. Did I hear it correctly?

Vishnukant Bhutada: That is plasma derived.

Anuj Sharma: What is the capacity? And does it disrupt our opportunity set in any which ways?

Vishnukant Bhutada: That is the plasma-derived product and the capacity individually whatever they are producing. I mentioned that this is a shortage product in India also – all over the world but in India also, there is always shortage product. So, whatever the capacity they have it, from the blood, you have limitations of getting this plasma product. That is why we have developed this technology where we can make it from the recombinant Albumin. There is no blood plasma required here.

Anuj Sharma: Another question is we were exploring a transaction in one of our options. We are still open to that. Is that ongoing or due to improvements, we don't see ourselves getting a new partner or something?

Vishnukant Bhutada: It is whatever we have disclosed in the stock exchange, still it is live only.

Moderator: Ladies and gentlemen if you wish to ask to a question please press * then 1 Our next question comes from Aniket with BMSPL. Please go ahead.

Aniket: I had a few questions on the API business. Can you just give a color on what went wrong in the oncology segment in FY23 overall? What type of growth can we see in the API business in the coming year? And what is your assessment on margins like how will the margins shape up in this segment for the coming year? If you could give some color.

Vishnukant Bhutada: Oncology is again, regularly we have been known in the oncology and we were the first company to start on the oncology APIs. And oncology being a focus area, we will continuously try to grow in this particular division. The margins are normally high in oncology. So, oncology will be a focus area for sure. The growth in oncology is always possible because some of the molecules which are going to get expired in the '23-24, these are all '25. The molecules which are up to '27, all molecules which are getting expired, almost all molecules are already covered in our API development and the filings. Onco being the focus area, we are there in that, and this will definitely grow for sure.

Aniket: In the overall API business, can you give some color or any kind of guidance if you can give?

Vishnukant Bhutada: I mentioned double-digit growth probably is definitely possible for the API and the onco, non-onco, polymer, peptide, and the CDMO business, each of the division will grow in this year. And the Corona era has been now almost getting over. A lot of companies have restarted buying it. Prices are more or less getting stabilized on the intermediates. This all will improve the API offtake and the margins.

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Aniket: The final question on the CDMO and CRAMS business as a part of the API. Do you have any targets where you want to take this part of the business over the next say 3 to 5 years?

Vishnukant Bhutada: Yes, definitely we have, but probably the numbers and all can be done maybe after 1 year or 2 years, but we are continuously focusing on the CRAMS and the CDMO business. We have all the capability. We can do it in onco CDMO, we can do in non-onco CDMO, we can do in polymer or peptide. All the divisions which are required – fermentation – whatever the people need in the API or in any of the chemistry, we have inhouse capability of doing all these things. We feel that the CDMO capabilities and we have great expertise also. A scientist team has been already built on that. In CDMO business also, we will definitely grow.

Aniket Thank you so much

Moderator: Ladies and gentlemen a reminder, if you wish to ask to a question please press * then 1 A question comes from the line of Tushar Bohra with MK Ventures. Please go ahead.

Tushar Bohra: Sir, if you can highlight on the CDMO side both biologics and the traditional API CDMO, what are some of the opportunities that have crystallized recently? Biologics have we been able to make any headway is this CDMO?

Vishnukant Bhutada: CDMO there are several interests are coming now because we have from the clone development to fill-finish facility. So, we are trying to work with the various companies who are interested in working in the CDMO as well as in the development part also. This is what we are doing. But the CDMO on the API, CDMO specially working with some of the intermediates with the originator or the European and the US companies where we are trying to focus into the intermediates where we will have a continuous revenue in the API. And the biologicals the major part comes from the CDMO business only and this is what our focus now.

Tushar Bohra: In terms of the outlook for the coming year, should we take Q4 as the new base and hope that profitability will improve further from here in FY24? Is there any outlook that you can share? I think you mentioned double-digit revenue growth. Did I hear that correctly? If you can give an outlook for the overall business FY '24-25?

Vishnukant Bhutada: I have given the general overview of the outlook of the business in each of the segments. We have already invested in the high capital-intensive area and almost we are at the verge of completion of in each of these biologics, APIs, formulations, the transdermal patch & film formulations, and CDMO business. This year onwards, we feel that each division will get matured and try to give the revenue from each division.

Tushar Bohra: Therefore, should we assume that overall revenue level may be a double-digit growth is possible more than 10% and profitability should be much better? We are still at a PAT level loss in this quarter as well. We assume that going forward, we will return back to profitability at PAT level as well.

Vishnukant Bhutada: This is what's our intention also. That is what you are seeing that there are several cost cutting measures, increasing the volume, increasing the product mix, adding more geographies for the formulations, getting it licensing revenue, reduction in the CAPEX in all these things, and reduction in the interest cost. These all factors definitely will add for the growth of the company from now onwards.

Tushar Bohra: Remediation efforts how much would we have spent in FY23? And assuming that we have almost completed the remediation, should we assume that FY24, there would not be much cost aligned towards this head?

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Vishnukant Bhutada: Yes, now almost all remediation is completed. Now, very bare minimum maintenance expenditure is there, nothing else.

Tushar Bohra: And how much would have been the expenditure in FY23 on remediation efforts at Jadcherla?

Alpesh Dalal: It has been a little over Rs. 7 crore, Tushar. The previous year, it was roughly around Rs. 30 crore. Against Rs. 30 crore, we have spent roughly about Rs. 7 crore during FY23.

Tushar Bohra: And just a quick clarification on Pemetrexed. What are the activities that further need to be done since we have got the approval? When you mentioned 1 to 2 quarters, when is the earliest you think we could launch the product?

Vishnukant Bhutada: Frankly, we are not knowing it, but we can launch it because we have to transfer this, again get it manufactured, and they will also gear up for their marketing and all. We will be knowing it by the next month around 10th or 15th, a clear strategy on this.

Alpesh Dalal: Tushar, since this is an NDA, the commercial & marketing team would need to now assess the on-ground situation and create a strategy around launch, when to launch, what all steps to take while launching and all. That's where there might be some timeline requirement including the lead time for manufacturing the commercial batch.

Tushar Bohra: But there are no regulatory things pending, right?

Vishnukant Bhutada: No, nothing.

Tushar Bohra: Ok Thank you

Moderator: Our next question comes from Shikhar Mundra with Vivog Commercial Limited. Please go ahead.

Shikhar Mundra: How much have we invested in the Dharwad facility for biologics?

Alpesh Dalal: In Dharwad, we have invested around Rs. 600 crore till now.

Shikhar Mundra: This is only for biologics, right? I want to understand like Adalimumab does not have a very big revenue potential; we said Rs. 20 crore to Rs. 25 crore. And Albumin is being introduced at 2024 end. What's the plan to use this facility for?

Vishnukant Bhutada: Aflibercept manufacturing, manufacturing of the other products plus CDMO business we are trying to do.

Shikhar Mundra: How big are we targeting the CDMO business to be in the next 3 years?

Alpesh Dalal: Basically, Shikhar, there is a significant requirement for good quality facility being available for biological products and which is the area which we are trying to exploit right now and our team is working actively on getting the CDMO opportunities over there. I think when certain things are crystallized, we will be able to talk more about that. It will be a little premature to discuss more details about those opportunities.

Shikhar Mundra: And can we assume like we are at the end of our CAPEX cycles or do we plan to do any more CAPEX or any more plants?

Vishnukant Bhutada: I think Biologics almost we completed; nothing is there. Our film & transdermal patch, nothing is there. R&D we completed. Now except in the API and the Biocare which is now we have to complete the fermentation facility for Albumin.

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Shikhar Mundra: How much do we plan to invest in the Biocare facility?

Vishnukant Bhutada: I think this year another Rs. 75 crore.

Alpesh Dalal: In toto, we probably would do around that kind of a CAPEX during this year.

Shikhar Mundra: And this is a general question. I know it's tough to answer but as a company, where do we see ourselves in the next 3 to 5 years? What's the revenue target we set for ourselves? Having done some much CAPEX across all the segments – biologics, formulations.

Vishnukant Bhutada: Giving a specific number will be difficult but we have already told you the segments which we are in, they are all complex, high-growth, and high-margin segments which we have invested for several years. Now on, we see only the possibilities of growth.

Shikhar Mundra: And I want to understand because of the US FDA observations, how much would you say has been the revenue impact? If not for the observation, what would have been our formulations revenue till now?

Alpesh Dalal: It is difficult to put a number how much could have had been our formulation revenue because then there are several new product approvals that could have come in and the market situation for some of our existing products could have changed. So, we can't really put up a number over there that how much could have had been the sales and all.

Shikhar Mundra: And when do we see this whole situation getting resolved? What's the expected date?

Alpesh Dalal: I think Vishnuji just mentioned in his opening remarks that we have communicated with FDA and now are awaiting action at their end. That's something which is not known to us. We will just have to wait it out.

Moderator: Our next question comes from the line of Bhagwan Chodhary with Sunidhi Securities. Please go ahead.

Bhagwan Chodhary: Thanks for opportunity sir. Sir, just two questions. What is the CAPEX plan for the next year? As you said that this will be mainly for the Albumin, right? How much it would be?

Vishnukant Bhutada: For Albumin, as I mentioned Rs. 75 crore.

Bhagwan Chodhary: Secondly, your thought process on the debt side. Right now, I think we are having around Rs. 800 crore of debt. Just broadly, what we are thinking from a 2-3 years' perspective that how it is going to pan out in terms of cash flow and in terms of reducing the debt?

Alpesh Dalal: Basically, as we discussed in our opening remarks also, Bhagwan, that we are taking various measures on the operational front to improve our overall performance and profitability as I had discussed in my remarks that operational cash flows have been better as compared to last year because we have tightened our working capital as well. Having said that, we are also looking at other options and opportunities for bringing down our leverage on the strategic front as well. We are working on those options along with the opportunities that we see. Certainly, we are looking at deleveraging our current debt as quickly as possible.

Bhagwan Chodhary: Sir, one question on the Albumin side. You said that we are likely to launch by the next year's end. My understanding is it would be the Phase-1, Phase-2, and then filing with the regulator. So, every process will take 8-9 months or more than that?

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Vishnukant Bhutada: Phase-1 we have to complete, then it will be Phase-3.

Bhagwan Chodhary: And then sir, filing with the regulator or it will be the approval by the end of the Phase-3? Just want to understand the timeline.

Vishnukant Bhutada: As I said you that we have to complete the Phase-3, submit it to the authorities. After verifying the data, they will tell.

Moderator: Our next question comes from Ritwik Sheth with One-Up Financial. Please go ahead.

Ritwik Sheth: My question is on the margins. You mentioned that we are looking at double-digit top line growth in FY24. If I look at your historical figures, this will be the highest ever revenue for us. What kind of margins we can expect? What range we can expect for FY24? Can it be mid to high teens?

Alpesh Dalal: Basically, as we mentioned, currently if we look at our EBITDA margin, this year margin was anyways at 11%. After taking those measures that we are talking about and incremental business, our expectation would be that there will be improvement in that.

Ritwik Sheth: Any range that you are looking at?

Alpesh Dalal: No, we probably would not be in a position to provide any guidance over there, but we certainly expect improvement over there.

Ritwik Sheth: Just one broad question on the peak turnover for us. Now you have done a lot of CAPEX in the last 3 years. With the enhanced capacity and capability and 3 new products that we are going to launch in the next 1 to 2 years, what kind of peak turnover we are looking at from our current base?

Alpesh Dalal: Again, as Vishnuji had just mentioned that we can expect double-digit growth for the foreseeable future, and it's a running situation, right? We keep investing, we keep getting higher growth and all. So, there is no concept as peak revenue per se. Peak revenue could come from a specific plant oriented but not as a company or as an organization.

Ritwik Sheth: One follow-up to the previous participant's question on the debt. What would be your comfortable debt on an absolute basis for the company?

Alpesh Dalal: We will come back to you guys a little later on that because we are actively working on certain plants for the deleveraging as I was talking about. So, at this point, I wouldn't want to make any comment on that.

Ritwik Sheth Thank you and all the best Sir

Moderator: Our next question comes from the line of Aniket with BMSPL. Please go ahead.

Aniket: Thanks for the follow-up question opportunity My question was on the formulations business. Basically, I wanted to ask how do you see the business growing from where we are right now and what are the opportunities that lie ahead of us in this segment going ahead?

Alpesh Dalal: For the formulations business, as Vishnuji was mentioning that we have new product approval that has come in Pemetrexed, we are expanding our horizon in various other geographies as well. We basically have built our commercial team now to exploit these opportunities further. So, we expect a decent turnaround happening in our formulations business from hereon.

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Vishnukant Bhutada: With getting the approval from the Canadian authorities and TGA, these all will help us to build the sales in the other regions also.

Aniket: Thank you so much and best of luck

Moderator: we take our last question from the line of Anuj Sharma from M3 investment, please go ahead

Anuj Sharma Thank you. My question has just been answered

Moderator: Ladies and gentlemen, we reach the end of the question & answer session. I now hand the conference over to the management for closing comments.

Alpesh Dalal: Thank you all for coming and joining our Earnings Call today. We hope to continue with this initiative and hope for your continued support for our company. Thank you everybody.

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