CONCORD BIOTECH LIMITED

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June 06, 2025

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

Dear Sir/Ma'am,

Subject: Transcripts of Q4 & year ended on FY25 Earnings call held on May 30, 2025

In continuation of our letter dated May 30, 2025 regarding Audio recording of the Audited (Standalone and Consolidated) Financial Results of the company for the Fourth Quarter and year ended on March 31, 2025, Earnings call for Investors and Analysts and pursuant to Regulation 30 (6) of the SEBI (Listing Obligations and Disclosure Requirements) 2015, the transcripts of the Earnings call for the said period enclosed herewith and available on the website of the company at the following link after sending this letter to you. Also please note that this transcript and the audio recording of the call, both have been uploaded on our website as follows:

https://www.concordbiotech.com/investors

Kindly take the same into your records and oblige.

Thanking you,
Yours faithfully

For Concord Biotech Limited

Hina Ronak Patel
Digitally signed by Hina Ronak Patel
Date: 2025.06.06 10:10:17 +05'30'

Hina Patel
Company Secretary and Compliance Officer
(ACS:56541)

Encl: as above

CONCORD BIOTECH
Biotech for Mankind...

"Concord Biotech Limited

Q4 FY '25 Earnings Conference Call"

May 30, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 30th May 2025 will prevail.

CONCORD BIOTECH
Biotech for Mankind...

IIFL CAPITAL

CHORUS CALL

MANAGEMENT: **MR. SUDHIR VAID – CHAIRMAN AND MANAGING DIRECTOR – CONCORD BIOTECH LIMITED**
MR. ANKUR VAID – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – CONCORD BIOTECH LIMITED
MR. LALIT SETHI – CHIEF FINANCIAL OFFICER – CONCORD BIOTECH LIMITED
MR. PRAKASH SAJNANI –ASSISTANT VICE PRESIDENT, ACCOUNTS-FINANCE, CONCORD BIOTECH LIMITED

SGA, INVESTOR RELATION ADVISORS – CONCORD BIOTECH LIMITED

MODERATOR: **MR. NAMAN BAGRECHA – IIFL CAPITAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and FY '25 Earnings Conference Call of Concord Biotech Limited, Hosted by IIFL Capital Services Limited. Before we begin, a brief disclaimer. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as of date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will remain 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 the operator by pressing star then zero on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Naman Bagrecha from IIFL Capital Services Limited. Thank you, and over to you, Mr. Bagrecha.

Naman Bagrecha: Thank you, Shaista. Hi, good afternoon, everyone, and a very warm welcome to Concord Biotech's Q4 and FY '25 Earnings Call hosted by IIFL Capital Services Limited.

On the call today, we have representing Concord Biotech Limited, the management team comprising Mr. Sudhir Vaid, Chairman and Managing Director; Mr. Ankur Vaid, Joint Managing Director and CEO; and Mr. Lalit Sethi, CFO. I will hand over the call to the management team to make the opening comments and then we will open the floor for questions. Please go ahead, sir.

Sudhir Vaid: Good afternoon, everyone, and thank you for joining us on our Q4 and FY '25 Earnings Conference Call. We are pleased to report that Concord Biotech has delivered steady and sustainable growth in both revenue and profitability. For the fourth quarter, as well as the full financial year. For Q4 FY '25, revenues grew by 35% to INR 430 crores compared to INR 319 crores in Q4 FY '24. For the full financial year '25, revenue stood at INR 1,200 crores, a growth of 18% on a year-on-year basis.

On the profitability front, PAT for the year stood at INR 372 crores, up from INR 308 crores in FY '24, making a growth of 21% on a year-on-year basis. FY '25 has been a year of focused execution and disciplined progress. During the year, we undertook 2 strategic investments that align with our long-term strategies and sustainable objectives. We made a strategic investment in Palvella Therapeutics Incorporation, a biotechnology company based in the U.S.A. that focuses on developing treatments for rare genetic skin disease.

Palvella is currently developing Qtorin as a topical treatment for rare skin conditions. This investment supports our long-term strategic growth plans. Through this collaboration, we aim to strengthen our supply capabilities and grow our presence in global regulated markets. We have also made a strategic investment in a renewable energy company, Clean Max, to support our

sustainability goals. Clean Max operates wind and solar power facilities with a combined capacity dedicated to supplying renewable energy to our Dholka plant.

This initiative highlights our strong commitment to ESG principles by transitioning to clean energy source, we aim to significantly reduce our carbon footprint and contribute to global climate action. Alongside environmental benefits, this shift also offers long-term financial advantages through lower energy costs and improved operational efficiencies.

On the regulatory front, we continue to enhance our compliance and preparedness across all facilities. Our API facility at Dholka Unit 1 successfully underwent inspection by the U.S. FDA, which concluded with 483 observations. All observations were procedural in nature, and none of these were related to data integrity. We have already submitted a comprehensive response to the U.S. FDA and are confident of receiving the EIR in the coming month. Unit 1 also underwent successful inspection by the Ministry of Food and Drug Safety, South Korea.

Our formulation of safety unit 2 in Valthera successfully completed an inspection by the Ministry of Food and Drug Authority. Additionally, the Health Products Regulatory Authority of Ireland awarded an EU GMP certificate to our Valthera facility, Unit 2, reinforcing our adherence to international quality standards.

Another significant milestone this quarter was the successful commissioning of our injectable facility at Valthera. This facility has been designed to meet stringent global regulatory requirements and is equipped with advanced technologies to ensure robust, high-quality and compliant production capabilities. The commissioning of this state-of-the-art unit represents a strategic advancement in our long-term growth and capacity expansion road map.

In FY '25, Concord has also filed 2 DMFs for Nystatin and Voclosporin and got ANDA approval for Teriflunomide tablets. Going forward, these niche opportunities would give a positive momentum to the growth of the overall business. Concord also has a robust and diversified pipeline of products across both APIs and formulations.

The company is actively developing a wide range of niche APIs catering to various therapeutic segments while simultaneously expanding its formulation portfolio. This approach not only strengthened Concord's market presence but also positioned it as a reliable partner in a global pharmaceutical landscape committed to delivering high-quality, affordable health solutions.

Looking ahead, we believe we are well positioned to accelerate growth in the coming years, supported by several key strengths. A broad portfolio of fermentation-based APIs and formulations, strategically expanding into the injectable space with a focus on domestic and emerging markets. This marks a significant milestone as we commercialize our state-of-the-art injectable facility.

Robust and diversified pipeline of products across both API and formulations, continued success in securing regulatory approvals across major regulated markets for our facilities. A strong track record of delivering consistent, high-quality products to a diverse customer base. large manufacturing capacities to support the expansion of CDMO businesses.

These factors collectively provide a strong foundation for sustainable growth. We remain committed to disciplined execution, ongoing innovation and delivering long-term value to all our stakeholders. Thank you.

And with this, I hand over the call to Mr. Ankur Vaid, Joint Managing Director and CEO of Concord Biotech.

Ankur Vaid: Good afternoon, ladies and gentlemen. I'm pleased to report that we have achieved strong financial performance with a 35% year-on-year revenue growth in quarter 4 and an 18% increase for the full fiscal year. Notably, our EBITDA impact grew even faster by 43% and 48% year-over-year, respectively, demonstrating our continued emphasis on operational efficiency and profitability. API revenue for Q4 FY '25 stood at INR 362 crores, reflecting a 37% year-on-year increase.

For the full year, API revenue stood at INR 940 crores, marking a 14% growth compared to the previous fiscal year. It is important to highlight that the reported API revenues exclude inter-unit sales to our formulation business.

As a result, the reported growth may not fully reflect the actual performance of the API segment. When we include the interunit API sales to formulations, the segment reported a growth of 16.15% on a year-on-year basis. We would like to reemphasize that API business is subject to to quarterly fluctuations due to uneven customer procurement patterns. Therefore, evaluating the API business on a full year basis provides a more accurate view of our underlying performance.

Turning to our Formulation segment. We achieved a year-on-year revenue growth of 26% in Q4 FY '25 and 38% for the full year. This strong performance underscores our ongoing efforts to enhance capabilities and expand our product portfolio within the formulation business. With the recent commissioning of our injectable facility, we anticipate significant scaling of this segment in the upcoming financial year.

Multiple audits are currently underway at our formulation facilities and we are optimistic about revenue contributions from the injectable unit in FY '26. However, a full ramp-up in the revenues is expected over FY '27 and FY '28.

Our domestic formulation business, particularly in critical care, nephrology and rheumatology, gained strong momentum in FY '25, supported by several new product launches and an expanded market footprint, with a field force of over 200 sales and marketing professionals across India, we successfully built strong connections with specialized doctors, reinforcing our presence in key therapeutic areas.

Backed by a robust pipeline and a growing customer base, we are confident of sustaining revenue growth in this segment. Strategically, we remain focused on strengthening our presence in domestic and emerging markets while selectively exploring regulated market opportunities. As this business evolves, we expect meaningful growth in both product offerings and customer reach during long-term growth.

The split between our API and Formulation business was 78% API to 22% formulation for FY '25, aligning with our long-term guidance of 80-20. With our API business, OST Formulation segment and the addition of injectable formulation facilities, Concord stands out as one of the few companies globally offering a fully integrated platform.

This includes in-house API manufacturing, backward integration up to key starting materials and end-to-end capabilities in the formulation segment. On the business front, we received ANDA approval from the U.S. FDA for Teriflunomide tablets, 7-milligram and 14-milligram, used in treating relapsing forms of multiple cirrhosis. This milestone highlights our strength in developing and commercializing a differentiated product portfolio for the U.S. market.

According to IQVIA, the U.S. market for Teriflunomide tablets is valued at approximately $402 million with the global market estimated at around $908 million, presenting significant growth opportunities both domestically and globally. While India and emerging markets remain our primary focus, our approach to the U.S. market is strategically selective.

We are committed to pursuing ROI-driven opportunities rather than chasing high-volume, low-margin products. Our U.S. strategy is rooted in value creation over market share, and we will continue to expand in this space in a measured and targeted manner.

Additionally, we have filed DMF for Nystatin and Voclosporin and registered these products in several global markets, creating greater opportunities to broaden our customer base and expand our geographical footprint. In FY '25, we added 118 new customers across various business segments, reflecting our strong ability to penetrate diverse markets and customer profiles. With these new relationships, we are expected to contribute to revenue generation and serve as key drivers for future growth.

Regarding our CDMO business, we view this as a significant and rapidly expanding opportunity for Concord. We are actively involved in ongoing development projects and trials supported by robust infrastructure that requires no immediate capacity-related investments. Our CDMO pipeline includes both innovator and generic companies, many of whom we are seeking to diversify their supply chains or outsourced manufacturing for the first time.

We are pleased to inform you that we have commercialized 1 CDMO project with 1 of the innovator companies, and we continue to file RFQs and are in active discussion with several potential clients. With proven capabilities, a strong regulatory track record and global compliant facilities, we are well positioned to leverage this momentum.

What truly differentiates Concord is our deep expertise in fermentation-based APIs and complex formulation, positioning us as a trusted, integrated CDMO partner for companies seeking specialized manufacturing solutions.

With these strong foundations in place, we look ahead with confidence in our strategic direction and a firm commitment to building a future-ready, innovation-driven organization, backed by solid fundamentals, a growing product pipeline and customer base and strong execution capabilities, we believe Concord Biotech is well positioned to achieve sustained long-term growth.

We are also pleased to share that the Board of Directors has recommended a final dividend of INR 10.7 per share for FY '25, subjected to shareholders' approval. This reflects our commitment to delivering consistent value to our shareholders while continuing to reinvest in growth opportunities.

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

Lalit Sethi: Thank you, sir. Good afternoon, everyone. Let me take you through the financial and operational performance for the quarter and the year ended March 2025. On the revenue front, our revenue for the quarter 4 of this financial year stood at INR 430 crores as compared to the INR 319 crores in quarter 4 of the last financial year, a growth of 35% on a year-on-year basis.

Revenues for financial year '25 stood at INR 1,200 crores, a growth of 18% on a year-on-year basis. Revenue from API business grew by 37% in the Q4 this year and stood at INR 362 crores. And for the financial year 2025, it grew by 14% with revenue at INR 940 crores.

Revenue from the Formulation business in this quarter stood at INR 67 crores as compared to the INR 53 crores in the same period last year, a growth of 26%. Formulation revenue for the financial year 2025 stood at INR 260 crores, a growth of 38% on a year-on-year basis. Domestic revenues grew by 50% and 24%, respectively, for the quarter and financial year 2025.

Export revenue for quarter 4 this year grew by 19%. And for the full financial year, exportrevenue grew by 12% on a year-on-year basis. Speaking on EBITDA, our operating EBITDA for quarter 4 of this financial year stood at INR 190 crores as compared to INR 134 crores in the same period last year. EBITDA for the financial year 2025 stood at INR 506 crores, which represents a growth of 17% on a year-on-year basis.

Our operating EBITDA margin for the quarter 4 of this financial this year stood at 44.3%, and for the financial year 2025, it stood at 42.2%. profit after tax, our profit after tax for the quarter 4 of this financial year stood at INR 140 crores as compared to INR 95 crores in the same period last year, a growth of 48% year-on-year basis. Our profit after tax for the financial year '25 stood at INR 372 crores as compared to INR 308 crores in the financial year '24, a growth of 21% on year-on-year basis.

PAT margins for this quarter stood at 32.7%, a growth of 286 bps on a year-on-year basis, and PAT margins for the full financial year '25 stood at 31%, which represents the growth of 67 bps on a year-on-year basis. So with this, I shall now leave the floor open for questions and answers, please.

Moderator: Thank you very much. The first question is from the line of Manoj Bahety from Carnelin Asset Management. Please go ahead.

Manoj Bahety: First of all, congratulations on a good set of numbers and consistent performance as always. So a couple of questions from my side is can you help me understand the reasons for the dip in gross margin? Is it because of a change in business mix? Or are we seeing some kind of pricing

pressure on immunosuppressants with, I think, more and more competition coming in into the base? So that is my first question. And I will come back for the second question.

Lalit Sethi: So Manoj, on this, basically, this could be on account of change in the product mix. And also, if you see that since the base of the formulation business, is increasing and that business has also been growing at an equivalentor a faster pace. So it's worth noting that our API products, which are being transferred to formulation units happen at a market price and all the sales get booked in the formulation business. So net-net, there can be some impact on the gross margin, but the EBITDA level, it gets netted off and EBITDA has been growing as such.

Manoj Bahety: Okay. So as more and more formulation is built up, do we expect that the gross margin will keep on going down as the formulation keeps on going up?

Ankur Vaid: No. See, that is not the case. As Lalit mentioned that there is some component of this. Of course, product mix also plays some bit of a role because if you see, while we have said that all the products have the underlying principle of, which is niche products with limited competition. But again, the margin profiling across all the 30 products are not the same. So there could be some bit of impact because of the product mix.

While formulating, if in a particular year, it grows significantly higher than that of the API. Yes, there could be some impact on that particular year. But as we have mentioned earlier , the capacities are built such that the 80-20 ratio should, on a long-term basis prevail.

So if you would look at it from a long-term perspective, we do not see any significant impact. But yes, as rightly mentioned, on a year-on-year basis, if something, say, the API -- the formulation increases, there could be a little bit of impact on the gross margins.

But of course, EBITDA, as Lalit mentioned, has been in line with what we see. And with the injectable facility coming in, I think the margin profile, even in the formulation segment, will improve more than what it is when it is only an oral solid facility.

Manoj Bahety: Got it. And the second question is, in fact, I have 2 short questions. One is if you can give a little bit more update on CDMO, as you mentioned that you started seeing green shoots there. And secondly, on the balance sheet side, we have seen some deterioration in the receivable and inventory side. Is it a year-end phenomenon? More sales might have happened in the month of March. So these 2 things, if you can.

Ankur Vaid: I think, Manoj, you answered the question. If you see that, of course, our last quarter has been on the higher side. And even if we consider a 90-day credit period, 90 to 110, that is as of 31st March is sitting on the books, and that's why you see that as a higher number. But from a circulation perspective or from a cash flow perspective, there is no challenge to us.

This is just a phenomenon as on the closing of the books, and that is primarily on account of larger sales, higher sales happening on quarter 4. Coming to your question on the CDMO business, yes, I think we are seeing good positive momentum. We have already commercialized one CDMO project with one of the innovator companies, and I think supplies to them are going to start soon as well.

Being a new product that they are launching, we do not know how much the quantum is going to be of this business. But since they are very optimistic and seeing it as a great big opportunity for them also in the global markets that they have launched this product in. But to Concord, we would still see that how the product gets into the market.

But we are quite pleased that we now have a CDMO project at a commercial scale with the innovative company. And there are a few other projects that are quite at advanced stage, we just need to kind of keep working on that, but are hopeful that things would be going positive also in that direction.

Moderator: The next question is from the line of Alankar Garude from Kotak Institutional Equities.

Alankar Garude: Congrats to the team on a good set of results. Sir, one question on pricing again. Can you comment on the pricing dynamics in the immunosuppressant portfolio? And if you can split it across developed and emerging markets, and this question is over the past couple of years?

Ankur Vaid: Yes. So if you see the pricing, again, there has not been much change when you look at from a customer-to-customer basis. But as we have mentioned earlier also that when you look at larger, some of the customers that are not with us and they are larger customers. Sometimes you may have to give somewhat of a price to them because of the kind of volumes that they're bringing in.

And again, it's a trade-off between larger capacity utilizations that are happening, which would bring in operational efficiencies, versus the kind of somewhat of a price discount that you may have to give. So that is something that we would continue to look at it. It's not that we have given those to larger customers. But then again, if the opportunities that we are evaluating come by and it does demand, then that's something that we would be open to consider.

But when you talk about the price difference between developing and regulated markets, I don't see much of a price differential there because many of the companies have global footprints. And when I say many companies, those are formulation companies. And when we sell our APIs to Indian companies and they have competition in, say, competing with U.S. formulation companies in today's world everybody knows what's the price is that Indian companies are getting or U.S. companies are getting.

So there is not much of a delta that has been left when it comes to API pricing between emerging and regulated. So there is not much difference. But as I said, the pricing at the customer level has not changed much significantly, but for newer opportunities, it could change.

Alankar Garude: Got it. That's helpful, Ankur. Just on that point, if I look at the 14% growth on API in FY '25, broadly, how would you break that between pricing, volumes and new introductions?

Ankur Vaid: So there have not been any price increases that we have given to customers. So all the growth has come from volumes only. And if we see that the anti-infective business actually has started taking off quite well. So as we had mentioned at the time ,a couple of years back also, that our intent is that our dependency on immunosuppressants goes down while we do not see a risk to

be immunosuppressing because all the APIs that are there in immunosuppressing, we are manufacturing.

So while the value base of immunosuppressants has grown, the percentage of immunosuppressants contribution has come down, which has been primarily on account of anti-infectives products that's getting launched. And if you see the new DMS that we have filed, one is Voclosporin, which is again an immunosuppressant. So any product that comes into the immunosuppressant, we are present there.

And that has an integrated approach because the key starting material, cyclosporine, we also manufacture. So the kind of cost dynamics that Concord would have, nobody else would be having on Voclosporin even when the product is commercial; right now, it is a Para IV product. So we see a lot of opportunity on Voclosporin and the other product is Nystatin, which is the large volume product, but a product that has limited competition.

So there also, we are seeing a lot of opportunity in Nystatin and over a period of 2 to 3 years, we see that these products that are getting launched in the last 2 years and going forward will be contributing significantly. So over a period of time, we would be looking at bringing our immunosuppressant contribution from maybe 5% to 10% lower from what it had been yearor 1.5 years back. And already work is going in that direction.

Alankar Garude: Got it. The second question, can you comment on your R&D as well as manufacturing capabilities on peptides? I'm asking this because, at least as far as our current commercial presence is concerned, we do not have much of a presence.

Ankur Vaid: So of course, we have a strong R&D team of over 150 people working across API and finished formulation. And a lot of work is happening on new fermentation API development. I mean, to the markets, we have talked about 10-plus products, but we have a much larger number of products that are there in the pipeline, which, again, are niche products with limited competition and a complex enough projects.

So the R&D team is working on these molecules, plus a lot of CDMO projects are something that we are evaluating and working towards, in addition to the formulation R&D. But coming to peptides, we are seeing opportunities in other segments than peptides, which are adjacencies in fermentation, which we are currently evaluating and exploring.

But I would say peptide is not something that -- we are trying to do something in-house. If things work inorganically, that would be something that we would explore. But right now in-house, we are developing some other adjacenies to fermentation not peptides.

Alankar Garude: Got it. And one final question before I come back. See, in the last 2 years, our first half, second half sales split was broadly around 45, 55; should we expect a similar revenue split going forward?

Ankur Vaid: See, again, Alankar, it's very difficult. If you see 1.5 years, 2 years back, our quarter 2 numbers, our quarter 2 sales significantly changed compared to what it was historically. So as I said on a quarter-on-quarter basis, a time becomes quite lumpy, while we say that our second half is better

than the first half, but the exact split is something on a quarter-on-quarter basis we won't be kind of able to put a number to it.

Moderator: The next question is from the line of Vivek Agrawal from Citigroup.

Vivek Agrawal: Ankur, you highlighted that you want to bring down immunosuppressants by around 5%, 10% lower from the current year. Is it possible for you to share what is the current share of immunosepressants in your API revenues?

Ankur Vaid: So 2 years back when we had come out with the IPO at that time, the contribution was around 80%. And today, it has come down to around 74% or 75%. So in 2 years, we have brought it down from 80% to 74% or75%. And our intent, as I said, is to bring it to 5% to 10% lower than what it was 1.5 years, 2 years back.

Vivek Agrawal: Understood. And you also talked about actually, in some of the previous calls, that you want to launch around 8 to 10 in the infective antifungal segment. So what is the progress out there? And any specific products, actually?if you want to talk about a few products that can contribute meaningfully, let's say, over the next couple of years in these segments that we need to watch out for.

Ankur Vaid: Yes. So as we've mentioned, every year, we'll have around 2 to 3 products that we would be commercializing and I think, as we mentioned during the call, this year, we have commercialized 2 products, which is Voclosporin and Nystatin. And going forward also, we have quite a few products right now that are at quite an advanced stage of commercialization.

And we expect that in this year also, we would be going with a similar or maybe slightly better launch of the products. And even at the finish formulation level, we have done quite a few filings in the U.S., and we expect commercialization of those products also in the U.S., which would then be extended to the global market, and we have a strong pipeline of products for the oral solid also.

And in addition to that, a lot of effort has now also been put in commercializing projects in the injectable because of the newly launched facility. We have already taken exhibit batches of around 2 products, and we have few of more products that are there going for exhibit batches. So a lot of work is happening on all 3 fronts, be it API, oral solid formulation, or the injectable product portfolio.

Vivek Agrawal: Understood. And actually, just one question on the Teriflunomide approval, right? It looks like the product is fairly commoditized and competition is already there in the U.S. market. So what makes you quite excited about this product or how we are basically better positioned compared to the competition in this product?

Ankur Vaid: The teriflunomide, if you see, is a Para IV opportunity product. And while there are 4 or 5 players still the kind of penetration that is needed is not there. So I think like those 3 or 4 players, Concord also is in that race and once the market truly opens up, we would be able to get a significant contribution to the U.S. business.

But in addition to that, as I mentioned out of that $900 million, close to $500 million is ex U.S. So as I mentioned,we are focused also on India and emerging markets. So extension of these doses into the emerging markets is also something that we are seeing from a value recognition from having more from an ROI-driven perspective.

Moderator: The next question is from the line of Chintan Sheth from Girik Capital.

Chintan Sheth: A very strong comeback from the fourth quarter and congratulations to the team. A couple of questions from my end. Do you have an update on gross margin on the annualized basis? I understand that the share of formulation has increased over FY '24 and that has resulted in a slight margin compression at a gross level.

But if I look at the current quarter, the API share has been pretty strongand the gross margin contraction has been pretty sharp. If you can just provide some input on how we should look at even if we see the share of APIs to be very strong this quarter?

Ankur Vaid: So it has been strong, but as I said not all APIs that we have, close to 30 that we have now commercial. So not all of those have the same kind of margin profiling. There could be some bit of variability to it. So that is one. And second, as Lalit mentioned that the way that the API is getting transferred to this Unit 2 at market price, the impact of PAT is playing out also.

But if you look at the overall level, if the price erosion had happened, then the EBITDA margins would not have been at the same level. So it is a bit of the 2 things. that is primarily playing out, which is a significant contributor to the gross margins that you're seeing.

Chintan Sheth: Got it. Got it. And second, on the capex front, you mentioned even in the CDMO side, we don't anticipate a huge investment going into the project we are currently discussing with our clients. I'm just trying to understand how one should look at capex given the injectables already commercialized and we are largely capitalized. Some part is still left, which is sitting in CWIP. But if you can highlight or guide something on the capex front, it would be helpful.

Lalit Sethi: No, I think all the capital expenditure with respect to the growth is already over. The injectable has already been commissioned now. So as far as the capacities for API and formulations are concerned, they are also available as of now. So there is no plans for having any additional capex for the capacity expansion.

Ankur Vaid: Yes, if you look at Chintan, just to add to what Lalit mentioned. So for our API and formulation business, we do not see any new capex happening over and above the maintenance capex of INR 20 crores, INR 30 crores that is there. But we would continue to look at growth in the agencies, whether organically or inorganically, and that is something that we continue to explore.

They are more than sufficient for the CDMO project that you are referring to. So in case anoother CDMO project comes through, there is a significant infrastructure that can be bid with a small amount of capital.

Chintan Sheth: And Teriflunomide, that opportunity we are also exploring through CDMO or largely for the...

Ankur Vaid: No, that is our own ANDA, and we will be marketing that under our own.

Moderator: The next question is from the line of Naman Bagrecha from IIFL Capital Services Limited.

Naman Bagrecha: Sir, just wanted to understand that on Teriflunomide, at my understanding is that you're targeting both markets seriously, I mean, both in the sense, U.S. and ex-U.S. market as well. While you highlighted that ex U.S. market size would be closer to, let's say, $500 million. Just wanted to understand what is the competitive landscape over there? I mean, what kind of, let's say, market share targets are we keeping in mind?

Ankur Vaid: See, again, right now, we are not going with that; we would have a 10% or a 15% kind of a market share. I think the efforts right now are to kind of extend these dossiers into those markets. And most of these players are companies that are mostly focused on the U.S. market.

So in the emerging markets, sometimes you may be the early entrant in those markets, but being an early entrant also plays to our advantage, which is a slow and steady market share gain when you are the next in line to, say, the compete only with the innovator.

So that being said, I think right now the efforts that we are putting in are filing the dossier in the emerging markets. We have already started selling this product in India under our own brand. So similarly, we are now going to be extending this dossier to the emerging markets. And then we'll see how the progress happens.

I don't want to be giving out a number, which kind of looking at a larger value, kind of takes a discussion into a very different pathway. But yes, the opportunity is huge, and we are kind of seeing how we can grab that opportunity to the maximum extent.

Naman Bagrecha: Okay. And what kind of margins would be there for this product in the U.S. I mean you can probably just say that it is above corporate EBITDA margins or low corporate EBITDA margin that's...

Ankur Vaid: It's pretty much in line with our oral solid dosage marginsand formulation margins that we currently have.

Naman Bagrecha: And that would be lower than the 40% margin, 30% and 40% margins?

Ankur Vaid: That's correct. That 42% is the blend of the fermentation and the finished formulation.

Naman Bagrecha: Sir, my next question is on the gross margins. If you look over the past 2 to 3 years, while our formulation business has increased, gross margins have also decline. However, EBITDA margins have kind of remained largely stable to some extent, if I look at '24, '25, 40%, 42%, how should we look at the gross margin going ahead? Will this decline and then -- then how is that basically being offset by the other opex items? Where are we seeing stable...

Ankur Vaid: If you look at our 5 years of historical numbers. The gross margins on a CAGR number would not have changed more than 2% to 2.5%. And when you look at it on a 5-year period, any variability on account of raw material fluctuations, product mix formulations picking up. And so, as I said, this was not the case, you say, last year or so or it would have been quite a low

number because different reasons. So as I said, that it is difficult for us to say that how things would look going forward.

But if you are one of the only players or the newer products that you're trying to launch, the competitors or somebody say in Europe and would say even with a good profitability margin, you were able to gain market share, there could be years where you would see expansion even in the gross margin because, say, a product like Nystatin if it starts working on a product like daptomycin or any other product or ticoplanin.

If you see that if they start contributing significantly over the next few years, that's something that we are also seeing as our anti-infective segment is picking up. So it could be that in particular years, you may see gross margin expansion also happening. But if you look at it on a 5-year period, there has not been a significant change in the gross margins that we have.

Naman Bagrecha: That's helpful. Just on this one, daptomycin. Is this also a Para IV opportunity for us or...

Ankur Vaid: It's a generic product now, but something that we are actively working towards.

Moderator: The next question is from the line of Mehul Dalmia from Edelweiss Mutual Fund.

Mehul Dalmia: Sir, my question is again, to do with the gross margin. I Just want to get a better understanding, when you look at Q3 versus Q4, margins have obviously compressed by roughly 8% gross level. The formulation revenue is roughly flat at INR 67 million. And the API revenue has grown by nearly 100% on a Q3 basis. At the same time, your export domestic mix is more skewed towards domestic business time. So my understanding was generally that the formulation would carry a lower margin.

But in this case, obviously, we don't see that variability and API formulations are roughly flat, and API is the one that has actually taken up the larger portion of the mix, and we've seen a decline. So how do we kind of understand this better? Is it that API are being supplied to domestic areas going at a lower cost? Or how do you kind of understand that?

Ankur Vaid: In the formulations that we have, it is being supplied at the market price. Now the domestic sales have increased for the API and that is primarily something that we have also talked about in the past that 1 of our customers was contributing around 6% to 7% has closed down that facility in the U.S. and more significant part of their operations in India.

So there has been some contribution coming from that shift of the customer also, which was contributing 6% to 7% of our API business. And the newer products also that we are launching have several customers who are basically Indian customers, but have much larger market share in the global market. So I think we do not see any major change happening in the domestic export and as mentioned earlier that the pricing also between domestic exports are not that much different.

So I do not see any significant variation on account of domestic export. But yes, the change in the gross margin is something that we have kind of mentioned previously also. So I would not have anything further to kind of add.

Mehul Dalmia: Understood. Because I think the variability is there between the other quarters also, even last year in Q4, you have higher -- lower gross margins. But if I were to just go to the EBITDA level in that sense.

Ankur Vaid: Just to add there, Mehul, sometimes what happens is that if there is a significant inventory also sitting in the books as a stock inventory, that also is a component of the overheads in it. So sometimes that also kind of plays out that if you have significant inventory sitting there, it could have an impact on the gross margins also. So there are a lot of factors that kind of play out on a quarter-on-quarter number. So it becomes a little tricky to kind of look into what is actually playing out. It could be a factor of multiple things.

Mehul Dalmia: Understood. And on the EBITDA side, obviously, it's majorly a factor of leverage playing out. What can we say about that? Because if I look at the numbers, at least, the employee costs are flat and the other expenses are slightly higher or in the same run rate, which is normally there for the other quarters or so?

Ankur Vaid: That's correct.

Moderator: The next question is from the line of Pranav Chawla from AMBIT Asset Management.

Pranav Chawla: Sir, a couple of questions. Can you share what is the utilization level across the manufacturing facilities?

Ankur Vaid: Sure. For the unit 1, it was 84% for Unit 2, which is a formulation facility. It is 36% and for the Limbasi facility, which is Unit 3, it is 40%.

Pranav Chawla: Sir, Unit 2, does it include the injectable? Are you investing for that?

Ankur Vaid: Injectables is recently commissioned, so the capacity utilization will start from the next year onwards. And that is Unit 4.

Pranav Chawla: And sir, during the quarter, what would be the quantum of expenditure from the new unit?

Ankur Vaid: So currently, as I said that just got commercialized in the month of March. So it may be difficult to give a number right now because we are still kind of ramping up our team and the work. So at this moment, it will be difficult to kind of give a number to that.

Pranav Chawla: Okay. Sir, finally, from my end. Can you -- 2 questions from my end. When can you share what the therapy mix is right now -- so we already know that immunosuppressant is around 75-odd percent. What would be the other therapies' contribution for the year?

Ankur Vaid: So we don't give therapy level data, but about 74% broadly is the immunosuppressant -- and the rest is the other segments wherein the major contribution is coming from the anti-infector segment.

Pranav Chawla: Okay. And sir, can you also share a bit more color on the CDMO contract that you mentioned will be commercialized in the coming quarters?

Ankur Vaid: Sorry?

Pranav Chawla: Can you give some color or share further details on the CDMO contract that we have mentioned you just called out recently?

Ankur Vaid: Yes. So we have like 3 to 4 projects wherein we have kind of a quite advanced stage of discussion. But right now, I think the ball is in the customer's court. So we are kind of engaging with them to see when they would like to kind of start -- complete the valuation process and see where Concord stands in that. So I would say that there are a couple of projects that are quite advanced. And then again, we have a few projects across different segments, particularly in enzymes and others as well, wherein we continue to engage with some of the customers.

Pranav Chawla: Just last one, if the management is ok with it. Sir, given the fact that the Unit 3 is already at around 40% to 45% utilization levels and we have a CDMO contracts, we are in discussions with a couple of CDMO contracts, do you think we may require more capacity sooner than we anticipated, maybe in the next 2 to 3 years?

Ankur Vaid: It could be possible, and we are putting all our efforts that CDMOs have becoming a significant contributor to the overall business. And even if that happens, the incremental capex that would be needed is very low compared to the kind of revenue that it would generate because we have only utilized like 30% of the land.

And putting up a fermentation unit while all the other supporting infrastructure is in place would not require significant capex compared to the revenue that it could generate. So if we reach that level, I'll be more than happy to kind of to hold that capex.

Moderator: The next question is from the line of Vamsi Hota from Antique Stock Broking.

Vamsi Hota: So I just had 2 questions. So firstly, for both FY '24 and '25, within the formulations business, what is the breakdown of the domestic and international sales?

Ankur Vaid: Between domestic and international fall?

Vamsi Hota: Formulations business?

Lalit Sethi: It's around 50-50, around 33% goes to the rest of the world market and 17% goes to the U.S. market and remaining 50% is in the domestic market.

Vamsi Hota: That's helpful. And also on the CDMO front, I heard the management saying that we would expect a lot of ramp-up happening there. So over the next 2 to 3 years, what kind of revenue would you be anticipating from this vertical?

Ankur Vaid: See, I mean currently, if you see, CDMO contributes less than 1% of business because we were mostly focused on the development rather than the manufacturing part of it. But in the last 6 or 9 months, our focus has been more on the manufacturing opportunities in the CDMO. So I won't be able to give a number, but our intent or our efforts are to kind of get this CDMO business to a double-digit contributor to our sales numbers.

Moderator: The next question is from the line of Alok Dalal from Jefferies India.

Alok Dalal: Are you providing any revenue growth guidance or margin guidance for FY '26?

Ankur Vaid: No. I think what we talk about, Alok, is in terms of the long-term guidance that we have. And I think ,as we have mentioned earlier, that the kind of products that we have, the commercial products that we have, the kind of pipeline products that we have, the capacities that have been there, including the new injectable coming in and some of the agencies that we are working towards.

I think we have the right ingredients and the mix in place to kind of go for the CAGR growth that we have spoken about earlier, but when you kind of start breaking it down on a quarterly or yearly, then you quarterly, you will see a lot of volatility, but the annual number should go progressively towards the kind of CAGR growth that we have said.

So that is going to be a gradual move towards the CAGR growth that we have, and that's something that we have also demonstrated in this year. So that's how we would be looking towards, but there is no specific guidance on year on year base like.

Alok Dalal: Okay. So just to understand, when you move towards that CAGR number, which is 25%, so progressively from 18% that you achieved in FY '25, you will move towards that 25% gradually, is what you're seeing?

Ankur Vaid: So the capacities and the portfolios are designed such that we can go for a 25% growth. And our efforts are also being put that we can go towards the 25% growth. And when we talk about the injectable facility also with the kind of asset turnover it can give, as I mentioned earlier, I think during our calls also that it has the capability to give close to INR 600 crores of turnover.

And even if I consider INR 300 crores over the next 3 to 4 years, that itself is a 30% growth on our current baseline, which translates to a 5-year period of 6% on our 18% capital growth also. So there are a lot of other opportunities like the injectables, which could play out, but maybe in a particular year, something plays out something doesn't. So we would just need to see that there could be a little bit of fluctuation and volatility on a year-on-year, not too much, but there is going to be a gradual progression towards going from 18% to 25%.

Alok Dalal: Understood. And a second question, Ankur, when you talk about the mix between API and formulation and you're referring to sustaining this 80-20 number, now, given that formulation will grow much faster than API, mathematically, it doesn't work out that you will keep this 80-20 ratio. So am I missing something? How do you reconcile this?

Ankur Vaid: Yes. So if you see the assets that we have at the API and the formulation, the capacities have been designed such that the maximum output that you can get out of those capacities would end up having to be at the 80-20 split. So that is one.

The second is that even if we go or say, even if at a particular time point, the formulation starts contributing slightly higher, that indirectly actually helps me gain the API market share. And

that's why since the last 3 or 4 calls, we have started talking about that inter-unit API transfer also what it is because the overall API market share is the same.

It is just that instead of addressing it by pure API sales to that market, I'm addressing it both by our API and formulation. So the thing for Concord to look at is, is how do I address the overall pie, whether it is through API or through formulation. So even if there is a little bit of mix change between AP and formulations, I think to us, it really doesn't matter that much because the addressable market is something that we are catering to.

Moderator: Thank you very much. Due to time constraints, this is the last question for the day. I now hand the conference over to the management for closing comments.

Ankur Vaid: So thank you, everyone, for joining on our Q4 FY '25 Earnings Call, and we hope we have been able to address all your queries. For any further information, please get in touch with us or SGA, our Investor Relations Advisor. Thank you once again. Have a good evening.

Moderator: Thank you very much. On behalf of IIFL Capital Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.