Date: August 22, 2024

BSE Limited
Corporate Relation Department
PhirozeJeejeeboi Towers,
Dalal Street,
Mumbai – 400001.
Scrip Code: 524404

National Stock Exchange of India Limited
Listing Department
Exchange Plaza, C-1, Block-G,
Bandra-Kurla Complex,
Bandra (East), Mumbai – 400051.
Symbol: MARKSANS

Subject: Transcript of investor(s)/analyst(s) meet – Q1FY2025 financial performance and strategy update

Dear Sir/Madam,

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed the transcript of the investor(s) / analyst(s) meet for Q1FY2025 financial performance and strategy update held on August 14, 2024.

The above information is also available on the website of the Company i.e. http://www.marksanspharma.com/investors-meet.html

We request you to take the aforesaid on records.

Thanking you.

Yours faithfully,
For Marksans Pharma Limited

HARSHAVARDHAN PANIGRAHI
Digitally signed by HARSHAVARDHAN PANIGRAHI
Date: 2024.08.22 14:17:04 +05'30'

Harshavardhan Panigrahi
Company Secretary

Encl: As above

"Marksans Pharma Limited

Q1 FY'25 Earnings Conference Call"

August 14, 2024

MANAGEMENT: **MR. MARK SALDANHA – FOUNDER, CHAIRMAN AND MANAGING DIRECTOR – MARKSANS PHARMA LIMITED**
MR. JITENDRA SHARMA – CHIEF FINANCIAL OFFICER – MARKSANS PHARMA LIMITED

MODERATOR: **MR. NITIN AGARWAL – DAMCAPITAL ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to the Marksans Pharma Q1 FY '25 Earnings Conference Call hosted by DAM Capital Advisors Limited. 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. Nitin Agarwal from DAM Capital Advisors. Thank you and over to you, sir.

Nitin Agarwal Thanks, Steve. Hi. Good afternoon, everyone. A very warm welcome to Marksans Pharma Q1 FY '25 earnings call hosted by DAM Capital Advisors Limited. On the call today, we are representing Marksans Pharma Management, Mr. Mark Saldanha, Founder, Chairman, and Managing Director, and Mr. Jitendra Sharma, Chief Financial Officer. I will hand over the call to Mark to make the opening comments, and then he will open the floor for questions.

So, Mark, please go ahead.

Mark Saldanha: Thank you, Nitin. Welcome, everyone, and thank you for joining us in our Q1 FY '25 earnings conference call. We appreciate your continuous interest and support for the Company. I'm delighted to announce a strong start to the year, driven primarily by an increased market share with our existing customers and some new product launches.

This quarter, we faced a mixed demand scenario in the U.S. region. However, based on historical trends, we anticipate the upcoming quarters to be far better. Pricing pressure on our RX products remains stable. The U.S. is a strategic focus area for growth, and we are well-positioned to capitalize on the opportunity that lies in these markets. Our gross margin for the quarter expanded by 432 basis points year-on-year and 386 basis points quarter-on-quarter, primarily due to the reduced raw material pricing and the depletion of old high-cost inventory. A favorable product mix also boosted our margins. However, we continue to face elevated freight costs, mainly due to the ongoing Red Sea crisis, container shortages, and port congestions.

Regarding our newly acquired manufacturing facility, we are on track with scaling operations and have commenced our product supply to key regions. We expect substantial revenue contribution from this facility in the upcoming quarters.

Looking ahead, we are committed to growing our business in a sustained manner. Our next goal is to reach INR 3,000 crores of revenue within the next two years, our focus on growing the business, launching new products, and enhancing supplies from our new facility will be instrumental in achieving this target. As a part of our commitment to a strong board oversight, I am pleased to announce the reappointment of Mr. Varddhman Jain as a Whole-Time Director for a further term of three years, Mr. Mohanty as a non-executive Independent Director for a term of five years. Our Board compromises of five eminent Independent Directors who are instrumental in guiding our company forward.

With this, I would like to turn it over to Jitendra to update you on the financials.

Jitendra Sharma: Thank you, sir. For Q1 of FY '25, our operating revenue was INR590.6 crores, an increase of 18.1% compared to INR500 crores in the same quarter last year. The U.S. and North America was at INR251 crores, representing a 29.8% increase year-on-year basis. U.K. and EU formulation markets grew by 11.3% year-on-year to INR251.5 crores, on account of volume growth, incremental market share from the existing customers, and contributions from new launches.

Australia and New Zealand formulation markets recorded revenue of INR65.6 crores, a 12% increase year-on-year basis. The rest of the world recorded sales of INR22.7 crores in Q1 of FY25.

Gross profit was at INR329 crores, up 27.8% year-on-year. Gross margin increased by 423 basis points from 51.5% to 55.7% in Q1 of FY '25. EBITDA for the quarter was INR128.4 crores, an increase of 26% year-on-year and an increase of 17.1% on a quarter-on-quarter basis.The EBITDA margin for the quarter was 21.7%. This improvement is attributed to a higher gross margin and our continued efforts towards enhancing operational efficiency. However, freight costs continued to rise during the quarter. Profit after tax was at INR89.1 crores compared to INR70.4 crores in Q1 of FY '24, an increase of 26.4%. EPS for the quarter was INR2.

In Q1 of FY '25, the cash-form operation is at INR45 crores and pre-cash flow is at INR14.3 crores. The capex incurred during the period was INR31 crores. The investment is in line with our plan for selling the acquired manufacturing unit in Goa and we spent INR12 crores in the R&D which amounted to 2% of the sale. We continued to remain debt-free and had a total of INR691 crores of cash as of 30 of June 2024.

With this, I would like to open the floor to questions and answers. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aditya Pal from MSA Capital Partners. Please go ahead.

Aditya Pal: Thank you. Congrats on the great numbers. A couple of quick questions. Now that our efforts in the backward integration have been successful and we are successfully tied up with CMO Partners, so can I say that the growth margins cannot decrease below a certain level even if the API prices in the near future go up? And what would be that level, if so?

Mark Saldanha: Obviously, when we talk of a scenario where API prices go up, obviously if it is chemical prices, integrated prices going up, we are not immune to that escalation because most of it originates out of China. But what we can avoid is, like I mentioned in the past, we can avoid the exporting of raw material manufacturers exploiting the situation and increasing the prices beyond the cost of inactives -- intermediates that basically prices that go up. So, from that angle, we should be able to sustain our profitability.

But at the same time, there would be a cost increase. But what we would secure ourselves with raw material supplies and availability of raw materials and at a competitive price when the prices are escalated by other manufacturers.

Aditya Pal: Understood. And the gross margins that we reported this quarter, which has seen a sharp uptick of 420 basis points, do you think this is sustainable? Assuming that overall API prices also remain where they are and there is no sharp increase of geopolitical risks, do you think that this is sustainable going forward?

Mark Saldanha: So, the quarter-on-quarter was 386 basis points. But I think it is sustainable, but buying the geopolitical situation that continues to evolve on a daily basis, we do see freight pricing challenges happening. We are hoping it is not going to be for long, but as of today, freight is again taking up. Yet not to a historic height, but it is creeping up. But I do believe we will be able to sustain these numbers.

Aditya Pal: Understood. And sir, the European and UK region, even though we reported a good growth, YoY, there has been a slowdown, that the growth has been slowed. So, from 20%, 22% that we used to report earlier, we have moved down to 12%.

So, can I say that now this 12% to 15% is the new growth rate that we can assume in this geography because we have become a large player in that particular geography?

Mark Saldanha: Yes, very accurately pointed out. The base has become bigger. So, with the base becoming bigger and market share growing, we are among the top five companies out there.

But we will see a 10% to 12% growth happening from here. And our team is working hard to supply shares and move ahead of that. But realistically, I think pretty much what you have said is what we believe will continue moving forward.

Aditya Pal: Understood. Just one last question before I come back in the queue. So, three years ahead, right, We have successfully penetrated deeper into the U.K. geographies. And now we are slowly penetrating and increasing our market share in the U.S. region. So, we are three to four years down the line. Other than the U.S. market as a very large growth lever, what are the other growth levers that you foresee that can benefit Marksans over the next three to five years?

Mark Saldanha: I do believe our U.K. is also -- we've got a huge upside in our U.K. too because of our products that are in the pipeline. I do believe our U.K. will grow in terms of revenue and will beat market expectations. The only thing is it will take a bit longer. But the fact remains that is also part of our growth drivers that are there. The U.S. will probably grow at a faster pace. But the U.K. revenue also, we have a budget, we have a marketing plan, we have a sales plan. we have our next five-year outlook on the U.K. And it is quite impressive from where we are today.

But if you are asking me about, where else do we see our sales growing? I would like to grow in the European market. And for that, we are working on M&As and we are exploring on those possibilities.

Aditya Pal: Understood. Best of luck to you and the entire team sir. Thank you so much.

Mark Saldanha: Thank you very much.

Moderator: The next question is from the line of Ishita Jain from Ashika Group. Please go ahead.

Ishita Jain: Hi, Mark. Congratulations on a consistently good quarter. My first question is on the capacity utilization. If you could tell us what the capacity utilization has been across the four units?

Mark Saldanha: So, the newly acquired facility, the capacity utilization is I would say about 40%, somewhere around 40%. And we do plan to every month it will keep increasing. I think last month we probably did 30%.So you can see month on month it is increasing. The other facilities are right now at probably 65% utilization.

Ishita Jain: So, 65% is the U.K. unit as well as the U.S. unit.

Mark Saldanha: Yes, I'm talking about my -- the other unit in India and the U.S. unit. And the U.K. unit will be around the same.

Ishita Jain: Understood. So, my second question on the U.S., we are currently in four categories, therapy areas in private label OTC. Are we going to be adding more breadth in terms of the therapy areas? Or are we going to add more vertical growth in the U.S.? I mean essentially just trying to understand what will drive growth for U.S. business.

Mark Saldanha: Again, penetration with customers. There are a couple of approaches in terms of distribution. Our current customers, I mean, we have a huge basket, right. And all our clients don't have 100% of our basket. Some have probably 10%, some have 5%, some have 30%, some have 50% basket.So our aim is to first penetrate with pretty much all the customers with our full basket and to ensure we optimize our product range into every client. So that's what we talk of market outreach, market penetration, better reach into each client. So that itself is a huge potential because the market size is obviously big and reflects our revenue growth.

Second is obviously targeting new clients, new customers, which are relatively bigger and larger. And while we do both, we have to also make sure that we have a back end in place in terms of manufacturing capabilities to support that growth that will come in. Because, again, the U.S. market is a big market, so the volumes are huge out there.

And again, so is the U.K. and our future markets that we want in Europe also. So, we have to look into various angles. But just to answer your question, which is more U.S. specific, the approach is obviously a better market product penetration into existing clients, new product launches, and new segments in the market that we want to launch.

Ishita Jain: Got it. Great. Just one last question from my side. You mentioned that right now we are not so big in Europe and you're looking for M&A deals for that geography. Just to sort of get us -- get some color in Europe, are we looking to be -- are we looking to replicate the U.S. model and be more private label agency? Are we going for Rx or are we looking at a mix?

Mark Saldanha: It will be a mix. It will be more like a U.K. model, which is also fantastically, which is good. And we have literally replicated all our business strategies across have been very similar.

We have been true to our principles and to our objectives and to our strategy all over the world. And what we implemented from the first acquisition till today, we are continuing operating the same strategy. So, we will be able to replicate what we have in the U.K.

Ishita Jain: Great. All the best. I'll get back in the queue.

Mark Saldanha: Thank you.

Moderator: The next question is from the line of Darshil Pandya from Finterest Capital. Please go ahead.

Darshil Pandya: Yes, sir. Sir, just wanted to know what's the status on Teva plant? Has it started contributing to these numbers? And what are we expecting for this year?

Mark Saldanha: So, Teva plant, obviously, in a standalone, if you see, it has contributed. In the consolidated, obviously, when you consolidate, it does not reflect in the consolidation, because we have just shipped out products because we have reached, and we are planning to launch these items. So, I do believe the consolidated, you will see the contribution happening probably in the third quarter.

I mean, after September or October. But it has contributed because we have shipped the product out. Like I mentioned, we have done, we have done revenue in the first quarter. The second quarter will be better than the first quarter. And the third quarter will definitely be better than the first and second quarters. And the fourth quarter will probably be the best quarter. So, we do see an increase happening month on month. And if you look at our standalone number, it is reflecting on that.

Darshil Pandya: Okay. Can you just quantify what was in the number terms, what revenue did you do?

Mark Saldanha: I think we did, in the first quarter, we did about INR60 crores from the Teva plant.

Darshil Pandya: 60?

Mark Saldanha: Six zero, 60.

Darshil Pandya: 60, and we are kind of anticipating around INR500 to INR600 crores of revenue in FY '25. So, any comments on that?

Mark Saldanha: Yes, like in the first quarter, we did about INR60 crores. But in July, we did about INR30 crores. So, you can see it increasing month on month basis.

Darshil Pandya: So, any ballpark number that we can expect for this year, maybe?

Mark Saldanha: So, I do believe by the third quarter, we should be hitting close to INR100 crores a quarter.

Darshil Pandya: Okay. And for Q4 -- for the whole year, what are you anticipating?

Mark Saldanha: When you talk of INR100 crores a quarter, that run rate, that may not happen for the whole year, but you are then trending at INR200 crores, and then the fourth quarter will obviously be better than the third quarter. So, we are anticipating that growth to continue from the acquired Teva Plant. But more than anything, these are in the consolidated numbers.

You will see the difference in the consolidated in the third and fourth quarters. Especially in the fourth quarter, you will see rise happening, because all the products that you ship will then see light in terms of product launches.

Darshil Pandya: Got it. And obviously, I saw some news articles that, you know, U.S. and U.K., we might see some more contract manufacturing coming in. Do you have any idea or any news about it?

Mark Saldanha: I mean there are different spaces. Not in our space. I don't see any difference in what we are doing to what the article basically talks about. So, I don't see that having any impact or any advantage to us.

Darshil Pandya: All right. Okay. Thank you so much. Much appreciated. All the best.

Moderator: Thank you. The next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

Aejas Lakhani: Yes. Hi, Mark, and Jitendra congratulations on a really good set of numbers. Mark, my first question is that you've got some new marketing authorizations approved in the U.K. region.I'd like to understand what is the market size of that, and are these, you know, margin accretive products that you've been referring to, which we will see incrementally in the U.K. market? That's question one.

Mark Saldanha: Yes. These are margin-lucrative items. They are very niche products. Difficult molecules. So, they are not value drivers in terms of if you're asking whether the molecules will do a GBP10 million sales. That may not happen. But the bottom-line improvement, it will add tremendous value to the bottom line.

Aejas Lakhani: Got it. And we have already launched these products in the U.K. market, and they are live. Is that understanding?

Mark Saldanha: No, we just got the authorization. It takes at least, three to four months to launch it. We have to manufacture it, we have to ship it out, and it has to be imported in, tested and released. So that's a good gestational time of at least three to four months, and then we will see the launch.

Moderator: Hello, Mr. Aejas, does that answer your question? Hello, Mr. Aejas, does that answer your question?

Mark Saldanha: He should have been dropped out.

Moderator: No, sir, he's on the line. Okay, we'll move on to the next question. It's on the line of Niharika from Aequitas Investments. Please go ahead.

Niharika Jain: Hi. Thank you for the opportunity. So, my first question is that we had onboarded OrbiMed as our investor, and they hold around 11%. So have you reaped any benefits because that was our thought process of giving them preferential allotments?

Mark Saldanha: There are multiple benefits. There are intangible benefits and tangible benefits, obviously. They have a tremendous value on the board. We have regular meetings. They add tremendous importance to corporate governance and all the discussions that we have surrounding our growth, M&A strategies. We have been getting a lot of M&A targets for us.

But that said and done, ultimately, it's always our choice whether we have to move ahead with our M&A target or not. And that said and done, they are a valuable partner source. And obviously, they have contributed a sufficient amount for us to go and explore and look at M&A targets. So, I would say we've added both intangible and tangible value modes.

Niharika Jain: Okay. Understood. And any insight if there is any increase in competition in the OTC market from Indian, like bigger players, who are wanting to enter into OTC market in, say, U.S. or U.K.? And if yes, then how are we coping with it?

Mark Saldanha: Well, I don't know. I mean, this is not a new segment that we've created. It's been existing there for years. And I guess all the companies have been there in the past and will be there in the future. So, it's just the nature of the beast. And it depends on who wants to come in as it is an open market.

Niharika Jain: Is there some kind of strength and distribution channel in place that we are kind of able to beat the competition? I'm just trying to understand our Moat in the OTC segment.

Mark Saldanha: Our strength is our strength. And obviously, we have, over the decade or so, we have mastered the art of paying and servicing the OTC market. That said and done, our focus is there on that segment. It's a part of our focus. In terms of competition, competition is there in every segment, whether it may be RX or OTC. Like I said, it's a nature of the beast. We are in the commercial sector, which has a lot of companies involved.

Niharika Jain: Okay. And on a very broader level, the U.S. is more margin-accretive for us than the U.K. margin-wise on a company level.

Mark Saldanha: I think it's a fusion. It's a blended fusion of both. And obviously, today, U.K., you've got to understand U.K., we have been in the U.K. since 2008. So, we've been in U.K. for nearly nine years before we entered the U.S. The U.S., we relatively entered only like four or five years back, that's in 2017, literally by ourselves. So, we've still got a long way to go in the U.S. market, but it's a big market and has potential growth. We're still very small in the market.

And that gives us hope and potential that we can grow more.

Niharika Jain: Right. And on the Red Sea front, I think last quarter we had incurred INR9 crores more because of the Red Sea issue. Is there a number that we can give for the quarter that it was because of some abnormal Red Sea crisis that we faced freight?

Jitendra Sharma: Niharika, we incurred an additional freight of INR12 crores if you see the year-on-year freight number. So, we incurred INR12 crores extra in freight.

Niharika Jain: And even currently you are facing freight issues?

Jitendra Sharma: It is further increasing. So definitely right now there is no respite.

Niharika Jain: Okay, understood. And on the Teva plant, have we reached break-even in this quarter, quarter one?

Mark Saldanha: Yes.

Niharika Jain: Okay. And on the order book visibility, do we have good visibility for the next one, two, three years? Because I'm not sure how our orders are kind of.

Mark Saldanha: Yes, I mean, based on the visibility, the confidence level, that we will touch INR3,000 crores within the next two years.

Niharika Jain: And typically how long is the contract for with a customer on an average?

Mark Saldanha: Two years, three years.

Niharika Jain: Okay. And this has some price escalation, this also element in the contract?

Mark Saldanha: That price escalation, I mean, contracts, I mean, we are not into various states. But normally when contracts are there, the price is fixed. But there is a clause that in case raw material prices escalate beyond a certain level percentage point, then we can always go back and re-report and renegotiate the price.

Niharika Jain: Okay. And my last question is, if you can give like top three, four products, five products concentration on the total revenue, if we have that number?

Mark Saldanha: Well, it's a very diversified portfolio. So, you know, in the U.K. we sell about 350 different products. In the U.S., our market is really touching about 60, 70 products. So, I think it's difficult to identify any molecule. And in a way, that's what makes it very robust, because we don't have one standout molecule which says, oh, well, we're getting INR100 crores on this molecule. When I look at the numbers, I don't see any single molecule standing up like an Eiffel Tower. The bar chart is literally at the same level of maybe 20, 30, 40 products.

Niharika Jain: Okay. Understood. Thank you so much for answering all the questions.

Moderator: The next question is from the line of Viraj Mahadevia from MoneyGrow. Please go ahead.

Viraj Mahadevia: Hi Mark and Jitendra congratulations on the great results. I just wanted to check, given the cash balances of INR650-odd crores, has there been any progress on our acquisitions in the U.S.?

Mark Saldanha: No. Acquisition in Europe, we went through two due diligence companies, but none of them worked out at the last minute. One of them we were last-minute outdated, and the second one we just didn't move ahead after the due diligence part of it. So right now, there is no pen to paper.

And we are in discussion with one more company, but it's too early to say whether it will take any shape or not.

Viraj Mahadevia: Right. Understood. And given, I think a year, year and a half ago, you mentioned your payout policy to shareholders of one-third of free cash flows. I mean, if I look at it in the last 10, 12 months, you haven't done a buyback, and the dividends were still pretty small. So, are you still adhering to that policy, or has it been changed?

Mark Saldanha: Yes, we are. Our capex was very high, so the free cash flow was very less. As a matter of fact, we are literally paid more than our free cash flow, just to continue our trend.

But we have spent over INR160-odd crores in capex itself. So, when you look at the free cash flow, we have very limited. That formula would have not worked from a dividend point but we still ensured continued our trend.

Viraj Mahadevia: Excellent. The last question is on the in-housing of some of the CDMO projects on the API. What progress has been made? How many molecules have come in it?

Mark Saldanha: So, we have signed, you know, one DMF, and we are working on setting another one right now.

Viraj Mahadevia: Thank you all the very best.

Moderator: The next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead. The current participant. Hello, Mr. Aejas, can you hear us?

Aejas Lakhani: Yes, Mark, I got cut off earlier. Just a couple of questions. On the U.S., could you call out what is the order book today?

Mark Saldanha: About 180 million.

Aejas Lakhani: 180 million, right?

Mark Saldanha: Yes.

Aejas Lakhani: And that's executable over the next two years?

Mark Saldanha: Yes.

Aejas Lakhani: Okay. And in the contracts with U.S. customers, these increase in freights, are they like a pass-through, or is that something we have to absorb, and it gets passed on with maybe a lag in the next, you know, quarters or so?

Mark Saldanha: Obviously, we have to absorb this for the time being because we do not know whether this is a passing phase, whether it's going to last one month, two months, three months, and correct, you know, it is not something that can be passed on at this stage unless it goes totally out of control. Then we can go and present some pricing points. But right now, we have to absorb it.

Aejas Lakhani: Okay, okay. And as the facility for Teva scales up in the next few quarters, do we expect some more operating leverage to play out or do you feel that that will be eaten up by the incremental freight cost similar to what happened this quarter?

Mark Saldanha: I think the operating leverage, the more we produce, the operating leverage will definitely kick in. And we are hoping that the operating leverage will be larger than the freight cost. So, while you can see the freight cost has gone up, but our results were still very prominent. So, again, operating leverage is kicking in and will continue to kick in from all fronts.

And based on that, yes, the freight cost is something that nobody wants to see. Three months back it was $2,000. Now it's $6,000 as of this month itself. So, nobody likes to take that hit of 300% on the freight. But, again, it's going to be just part and parcel of, you know, the global geopolitical scenarios that are existing.

But I do believe, and we are hoping that -- I don't have a crystal ball, but I'm hoping that it will start coming down because there is no rational point to keep increasing, because red sea is main issue. And many a time I keep wondering what's driving this up because maybe the shipping vessels or something. But it is a fact that the prices are going up.

Aejas Lakhani: Thank you for that elaborate answer. And, Mark, now that you have two facilities in Goa, how do you plan to repurpose each of them? Because your older facility, which you've been running for so long, that already has a certain set of lines and products that you are making.

So is it that -- if you could talk about how you are planning to optimize on the production, given that you have now two facilities?

Mark Saldanha: Well, as the demand grows and as the sales grow, the old facility is not going to be able to cater to all our requirements. So, we have to basically start giving it to the new facility and make sure that we basically service our requirements globally, whether it may be for U.K., for U.S., for Australia, for Canada. So obviously the Company is growing. To touch 3,000+ crores, we need two facilities. We can't just make that happen in one facility.

Definitely the second facility is already ramping up. We have already, in terms of tablets, I mean it's ramping up to the level that we anticipated. So, it's meeting our expectations, the speed. Shipments are starting to happen, and every month we can see some progress in the forward direction. I do believe the second facility will basically contribute larger than the first facility. It may take this financial year to see that happen.

Next financial year, I do believe, we will see the full results of that being built.

Aejas Lakhani: Got it. How much would be the sales from the Goa facility today?

Mark Saldanha: I didn't get you. How much would be the?

Aejas Lakhani: So, you said that Teva facility will overtake your existing Goa facility in terms of sales in the years to come. So, I'd just like to know, what is the sales from the Goa facility today?

Mark Saldanha: It is in the range of INR750 crores to INR800 crores.

Aejas Lakhani: Okay. Wonderful. Okay. All the best. Thank you.

Moderator: The next question is from the line of Naveen Baid, Nuvama Asset Management. Please go ahead.

Naveen Baid: Thank you for the opportunity. My question is actually a continuation of what the previous speaker, one of the previous speakers had asked. If you could give some color, not necessarily a finite number, as to what is the pecking order of margins amongst the U.S., U.K., and the rest of the world business?

Jitendra Sharma: Margins are obviously -- at the gross margin level, we see to it that all geographies should give us 50% plus. So on an average, it is between 50% to 55% across these geographies.

Naveen Baid: But at the operating level, would it be safe to say that you would be doing more margins in the U.K.?

Jitendra Sharma: At EBITDA level, definitely. There are different numbers. In the U.K., definitely we have relatively high margins. The Indian operations have relatively high margins. In the U.S., we are catching up. A better number coming out from U.S. geography also.

Naveen Baid: Would the U.S. be lower than the console number for the Company?

Jitendra Sharma: Yes.

Naveen Baid: Okay, got it. Thank you.

Moderator: Thank you. The next question is a follow-up question from the line of Aditya Pal from MSA Capital Partners. Please go ahead.

Aditya Pal: Thank you for the opportunity. Sir, I just wanted to understand. There have been news in the U.S. that Walgreens and CVS have been shutting their pharmacies. Do we see an adverse impact because of that? Or is it a no-news type of scenario?

Mark Saldanha: No, we don't see any adverse impact on that. This is part and parcel of the cycle that the U.S. advocates every now and then. And while they shut pharmacies, after one year, they reopen some more pharmacies. And they reposition the pharmacies in areas which don't have pharmacies. Sometimes in the growth strategy, they go and literally open pharmacies every mile or every two miles or every five miles. So, we don't see an impact on that.

Aditya Pal: Understood. And the question would be that when you're speaking about M&A and hunting for opportunities in the European region, are we looking at a company which is a marketing company or someone which has their own brand plus a manufacturing setup?

Mark Saldanha: It's difficult to cherry-pick what we would like because that's what we've been trying to do. But from a manufacturing setup point of view, we are not trying to acquire a company which has a manufacturing facility.

One of the due diligence that we did, that was one of the touching points because it was overlapping the capacity and the facility that we had. So, we didn't want to go ahead with that. But we would like a company with more market authorization and more time in Europe spread. And we would like to leverage low-cost manufacturing based out of India.

Aditya Pal: Understood. And this last question from my side. So, now when you're talking to another participant about the Teva plant. So, Teva plant will be fully utilized by FY26. Are we hunting for new land to build or are we planning to augment our existing facilities in terms of capacity? How are we thinking about that?

Mark Saldanha: Yes, I mean, a very valid point actually. But you're right. Teva facility has basically -- we are moving at a very fast pace. Both from a growth point of view, from a requirement point of view. So, we have been discussing, exploring, contemplating within the core team. You know, strategies beyond INR3,000 plus crores. What backend infrastructure we need to support, let's say, the next jump that we have to do after INR 3,000 crores? So, we have to always align ourselves to ensure we have that support to fuel our growth.

So, we have to -- in pharmaceutical, you've got to plan three years before. You know, you invest today, you see returns after two to three years. So, that's typically how we move ahead. And we have already started working on that.

Aditya Pal: Perfect. Thank you so much.

Moderator: The next question is from the line of the Deepak Rao from KNR Securities. Please go ahead.

Deepak Rao: Good evening, sir. Congratulations on a great set of numbers. So, I have three questions. So, the first question is regarding the timeline for a U.S. FDA audit on the acquired plant from Teva. And the second question is I just wanted to know if there's any guidance on how many filings are we aiming for in FY '25. And thirdly, I just wanted to understand what all countries are we targeting when we think about entering Europe.

Mark Saldanha: To your first question, I don't have an answer because, honestly, that's a regulatory question which basically no one has an answer to. And we are free to come any time. So, that is the answer to your first question.

The second one, in terms of the market, it is literally the same market that we already are doing our products, like I mentioned. Our first plant, again, we have to align ourselves with the demand and supply gap. And, definitely, our demand has gone higher than what our supply was in the first plant. So, we are anticipating, we are servicing that gap from the second plant. And, so, basically, the geographies are the U.S. market, the European market, the Australian market. And your third question was?

Deepak Rao: Sir, regarding what countries are we targeting in Europe?

Mark Saldanha: So, I mean, right now, obviously, the countries that, right now, it's only U.K. that we are servicing from this plant. But, in terms of countries, like I mentioned, we are looking at M&As. And the countries of choice would be, obviously, the Western Europe. And, you know, we can start from Germany and spread out from there.

Deepak Rao: Okay. Thank you sir that answers my question.

Moderator: The next question is from the line of Dominic D'Costa from Axia Capital. Please go ahead.

Dominic D'Costa: Good evening, sir. Thanks a lot for the opportunity. And, congrats on a great set of numbers. I have two questions. One is, should we see an increase in fixed costs? How do you think about fixed costs for the next quarter? Should we see an increase because of increasing capacity utilization? That's number one. Second is, on the farm...

Mark Saldanha: You are not audible. I'm sorry. I can't understand your question.

Dominic D'Costa: Sorry. Is this better?

Mark Saldanha: Okay, slightly better, but go ahead. I'll try.

Dominic D'Costa: Okay, so my first question is. Can you guide us towards the fixed cost for the next quarter? Should we expect an increase because of the new table plant, or all the fixed costs attributed to the table plant is already in the P&L for this quarter?

Mark Saldanha: Yes, the fixed cost is pretty much out there. There will be a slight increase happening. But most of the cost is already captured in the P&L and as and when, obviously. We ramp up further requirements, which is going to happen on a quarter-to-quarter basis, because obviously from, let's say from INR60 crores you want to do INR100 crores, you want to do INR120 crores. It's, you know, you need people, you need teams to execute that. So, it will ramp up proportionately when infrastructure is ready to get it up to that level.

Dominic D'Costa: Thank you. And the second question is, any update on the 483 audit?

Mark Saldanha: No update.

Dominic D'Costa: Thank you very much.

Moderator: The next question is from the line of Jayesh, an individual investor. Please go ahead.

Jayesh: So, congratulations on two things. One is a consistent and good set of numbers. And, the second thing is our Company is a billion-dollar Company. So, congratulations to you and your team.

Jayesh: So, my question is regarding the free trade agreement that our country is trying to sign with U.K. So, when and if signed, will there be any benefit from the U.K. operations to our Company, sir?

Jitendra Sharma: No, there will not be any specific benefit arising out of that agreement. So far as pharmaceuticals are concerned, already there are no duties as such. So, there may be some advantage, but nothing material.

Jayesh: All right. Thank you.

Moderator: Mr. Jayesh, does that answer your question?

Jayesh: Yes.

Moderator: Okay. Thank you. The next question is from the line of Niharika, an Aequitas Investments. Please go ahead.

Niharika Jain: Thank you again. So, just one clarification that you said that Teva plant current capacity utilization is around 35%, and U.S.-U.K. is 65%. Did I hear that right?

Mark Saldanha: Yes.

Niharika Jain: And what about the Goa plant's capacity utilization, and why U.S.-U.K. have lower capacity utilization? Is it because we have, like, overcapacity to cater to the demand, or is it, like, lower demand? Just want to understand on the capacity utilization front.

Mark Saldanha: 65% is quite a high utilization. You know, a plant can't go up to 100%, so maximum they can go up to 80%. 65% is a quite high utilization for a plant. But that's what I'm done. It will increase as the demand, as we have demand, and based on product launches and all, it will reach that peak. But we don't wait. We can't wait for it to touch 80% and then start planning. So, obviously, that's where the Teva plant came into play, to service the demand and supply gaps that we foresee.

Niharika Jain: Okay, understood. Thank you so much.

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

Akash: Hi. Good evening. So, from the numbers that I could see, we have about 70-odd scientists into R&D. Two questions. One, do we see a correlation between R&D expenditure, vis-a-vis growth in revenue? And two, do we have any plans of adding more scientists or any kind of programs where they would develop products which would possibly end up contributing significantly to the top line in terms of another revenue stream?

Mark Saldanha: So, as companies evolve, we get into more complex molecules. So, our number of scientists increasing will, again, depend on the molecules that we are adding in and the growth strategy that we have in place. We try to maintain a discipline in our approach and not go overboard. But that said and done we do believe it will be in the same range of what we are spending today. For the next two years, at least, it will remain in the same range.

Akash: Got it. Thank you. Thanks a lot.

Mark Saldanha: Thank you.

Moderator: The next question is a follow up question. It's from the line of Naveen Baid from Nuvama Asset Management. Please go ahead.

Naveen Baid: Thank you sir. In your journey from the current INR2,000-odd crores to INR3,000-odd crores that you're targeting over the next couple of years, which market do you think will lead this growth?

Mark Saldanha: You said in your journey from INR 2,100 crores to INR 3,000 crores which will grow. So, obviously, the immediate growth of the fastest-growing market will be the U.S. market. We see the growth drivers in the U.S. market. But that said and done, the U.K. market will also add value to this growth. But in absolute numbers and comparison, it will be the U.S. market that will take us faster and closer to the INR3,000 crores, with the U.K. market bridging the gap to hit that number.

Naveen Baid: Got it. Thank you.

Mark Saldanha: Thank you.

Moderator: As there are no further questions from the participants, I would now like to hand the conference over to the management for their closing comments.

Mark Saldanha: Thank you, everyone, for participating in our Q1 FY '25 earning call. Thank you for taking time. Thank you for all your support and interest. Be safe and looking forward to our next call. Thank you.

Jitendra Sharma: Thank you.

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