



August 11, 2024

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The National Stock Exchange of India Limited  
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BSE Scrip Code No. 524280

NSE Symbol : KOPRAN

Dear Sir/Madam,

**Sub: Investors Conference Call Recording/Transcript**

With reference to Regulation 30 read with Part A of Schedule III and Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, recording of an Investors Conference Call held on August 09, 2024 is uploaded on Company's website:

<https://www.kopran.com/investors/financials/>

The transcript of the Investor Conference call is also annexed herewith.

Regards,  
For Kopran Limited

Sunil Sodhani  
Company Secretary & Compliance Officer  
Membership No. FCS 3897



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## “Kopran Limited Q1 FY '25 Earnings Conference Call”

**August 09, 2024**



**MANAGEMENT:** **MR. SURENDRA SOMANI – EXECUTIVE VICE  
CHAIRMAN, KOPRAN LIMITED  
MR. AJIT JAIN – CHIEF OPERATING OFFICER,  
KOPRAN LIMITED  
MR. SANJAY DOSI – GROUP ADVISOR, KOPRAN  
LIMITED**

**MODERATOR:** **MR. HRISHIKESH PATOLE – BATLIVALA & KARANI  
SECURITIES INDIA PRIVATE LIMITED**



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**Moderator:** Ladies and gentlemen, good day, and welcome to the Kopran Limited Q1 FY '25 Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on the touchtone phone. Please note that this conference is being recorded.

I now have the conference over to Mr. Hrishikesh from B&K Securities. Thank you, and over to you, sir.

**Hrishikesh:** Good afternoon, everyone. On behalf of B&K Securities, I welcome you all to Q1 FY '25 Earnings Conference Call of Kopran Limited. Hope everyone is in good health and doing well.

On behalf of Kopran today, we have with us Mr. Surendra Somani – Executive Vice Chairman, Mr. Ajit Jain – Chief Operating Officer and Mr. Sanjay Doshi – Group Advisor.

I now hand over the call to the Management for the “Opening Remarks,” post which we will open the session for Q&A. Over to you, sir.

**Surendra Somani:** A very good evening and a warm welcome to all of you to this Investor Call for Kopran. I will first give you a brief overview on the Quarter 1 Results.

The consolidated turnover for the Quarter Ended June '24 was Rs. 139.43 crores. The corresponding consolidated turnover for June '23 was Rs. 117 crores. The consolidated profit for the quarter ended June '24 was Rs. 11.10 crores as compared to Rs. 2.77 crores for the corresponding quarter.

In terms of the business units, the API business, that is the Active Pharmaceutical Ingredient business had a turnover of Rs. 89.83 crores as compared to Rs. 73.86 crores in the corresponding quarter of the previous year. We have improved our performance and will continue to improve in the subsequent quarters.

Formulations:

The turnover of formulations for the quarter ended 30th June 2024 was Rs. 49.61 crores as compared to the corresponding quarter ended 30th June '23, which was Rs. 43.29 crores. The growth was marginal. As such, the 1st Quarter of the year is historically a lean quarter for our formulations business.



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We continue to expand our capacities and automate to be cost competitive. Our focus area for formulation development continues with a higher focus on the various APIs which we are now developing and expect to commercialize in the next few months or years which will lead to integration and make us cost competitive.

For example, in the recent few months, we have taken validation batches for new formulations like Rivaroxaban, Empagliflozin, Sitagliptin, Metformin, Losartan etc.

I am happy to inform you that we have received environmental clearance from New Delhi to operate the Panoli plant. This is from the Ministry of Environment. We now expect the consent from the GPCB in the next few weeks. We plan to start the trial or the validation batches manufacturing in the next couple of months.

The vision of the company is to be a global pharmaceutical company, well integrated with a focus on new products for the regulated markets. Let me give you as an example, we are planning to put up a vial filling line for the Penems which will be a forward integration for the sterile Penems like Meropenem, Doripenem, and Ertapenem. This will insulate us from the price volatility of Penems and also help increase our margins.

So, I thank all the investors for showing their faith in Kopran and handover for question answers. Thank you.

**Moderator:** We will now begin the question and answers session. Our first question is from the line of Pawan Soni from Investment Analytic. Please go ahead.

**Pawan Soni:** Could you please provide your revenue and the margin guidance for the current year?

**Sanjay Dosi:** We will maintain our guidance, which was given in the last con call, which is about 18% to 20% of revenue growth and about 100 crores of EBITDA.

**Moderator:** Thank you. Our next question is from the line of Darshan Jhaveri from Crown Capital. Please go ahead.

**Darshan Jhaveri:** So, I just wanted to know, sir, you have given the guidance for FY '25. So, now, I think the Panoli plant will start next year, right? So, what kind of value addition in terms of revenue and margins could we see with the onset of Panoli plant? And just want to know, why are we guiding a bit lower on the margin front? Like, could we do better margins?

**Sanjay Dosi:** As far as Panoli is concerned, we have not finalized our plans for next year. So, it would be premature for us to say anything on that. I think probably with the next con call, we would be in a better position to give you guidance on Panoli plant as such.



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**Darshan Jhaveri:** And so, just wanted to know with Q1 being the lean quarter, we would also be able to do 13% and right now our 100 crores margin guidance is also roughly 13%. So, could we see maybe a surprise on the margins in the positive way?

**Sanjay Dosi:** I mean, if you look at EBITDA margins last year, it was about 12% and the current quarter we have achieved is about 13% and we are guiding is about 14%. I mean, given API where prices keep moving, so we want to be equalizing everything and giving you guidance, it may work if prices move forward.

**Darshan Jhaveri:** And sir, what would be our current capacity utilization?

**Sanjay Dosi:** Capacity utilization as far as API is concerned, it is always fully utilized. It all depends, I mean, the turnover etc depends on what kind of product we are making. And as far as formulations are concerned, normally we do 75 to 90 crores in a quarter. This quarter it was about 50 crores. So, it's almost like 60%, 55% of capacity.

**Darshan Jhaveri:** So, this will come back as the quarter will go on, as you were saying, it was a lean quarter.

**Sanjay Dosi:** I will give you a little break up of division-wise margins for this quarter. In formulations, we did, as I said, 49.5 crores of revenue with EBITDA margin of about 11%, which was 17% in Q4 and 2.25% in corresponding quarter. Q4 margins were higher because of the volume because Q4 turnover was 90 crores, so operating leverage. Because of that, EBITDA margins were about 17%.

As far as API is concerned, its revenue is roughly about 90 crores with EBITDA margins of 14.11, which was in March quarter 6.44 and corresponding quarter 7.23. So, on a consolidated basis, our EBITDA margin at the moment is 13.03. We aspire to be in the range of 14% to 15% in this year and slowly grow up and our aspiration as far as EBITDA margins are concerned over a period of next 3-4 years is to reach about 20%.

**Moderator:** Thank you. Our next question is from the line of Rohan Patel from Turtle Capital. Please go ahead.

**Rohan Patel:** I just wanted to know what is your revenue target or the growth terms for next 3-4 years in FY '27 or FY '28. Can we expect 1,200-1,300 crores of top line?

**Sanjay Dosi:** Yes, I think that that's achievable.

**Rohan Patel:** That's achievable.

**Sanjay Dosi:** Yes.



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- Rohan Patel:** And you said that in the next 3 years, you also want to increase your margins to 20%, right?
- Sanjay Dosi:** 4 to 5 years.
- Rohan Patel:** 4 to 5 years, okay.
- Sanjay Dosi:** That's what we are aspiring to do it.
- Rohan Patel:** 4-5 years, okay. So, the Panoli, the plant would start contributing into our top line as well as bottom line from FY '26, if I heard it right?
- Sanjay Dosi:** Yes. I mean, it may add a little bit in this year, but that would be hardly anything. So, meaningfully next year onwards, it will contribute to top line.
- Rohan Patel:** And like if I heard it right, in earlier you mentioned that the production would start within next 3 months. Is it right?
- Sanjay Dosi:** Yes.
- Rohan Patel:** So, you will be only having say, 5 to 6 months of operation.
- Sanjay Dosi:** No. We are in August and September at the moment. So, validation batches and trial runs will go in November and December. So, you have about 3 months where also, more of production would be for getting approvals with vendors and authorities.
- Rohan Patel:** So, what kind of capacity utilization you are targeting for FY '26 for Panoli?
- Sanjay Dosi:** As I said, we are still in the working for making the capacity. So, it would be premature for us to mention anything on that. We will have more clarity by the next con-call time.
- Rohan Patel:** And just if I can understand, with the product mix that you think will work out, what kind of optimum revenue we can generate from Panoli and what kind of margin, if you just can?
- Sanjay Dosi:** As I said, we have not worked out which products to manufacture there. We have to work out a combination of products between Mahad and this. So, till that we work out, I won't be able to say much on that.
- Rohan Patel:** But if you can just help us out.
- Sanjay Dosi:** Over a period of 2 to 3 years, it should give revenue of 200 to 300 crores. Rough ballpark I am saying.



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- Rohan Patel:** And will that increase our margin profile of the product that you may target over there?
- Sanjay Dosi:** As I said, over the period we are looking at expanding our margins. So, definitely the margins would be better, EBITDA margins. Then only the overall increase will happen.
- Moderator:** Thank you. Our next question is from the line of Tushar from Yogya Capital. Please go ahead.
- Tushar:** So, I have a few questions on your Panoli plant. What was the cost for it?
- Sanjay Dosi:** It should be with the pre-operating and everything about 50 to 60 crores.
- Tushar:** 50 to 60 crores, okay. And by when do you think you will get USFDA approval for this facility?
- Sanjay Dosi:** USFDA approval?
- Tushar:** Yes.
- Sanjay Dosi:** It would be 3 years.
- Tushar:** It would take you 3 years to get their approval.
- Sanjay Dosi:** I mean, you have to start production, create data, etc.
- Surendra Somani:** Sir, let me clarify. Initially, we will be doing validation batches. Those batches will be put on stability for 12 months at least. Then post that we will have to make the drug master file. That whole process will take about 18 months. And after filing the DMF, we trigger the inspection to a customer, give or take one year. So, a minimum time, I would say, would be three years for the USFDA approval of the plant, even if we trigger for one term. Am I right, Ajit?
- Ajit Jain:** Minimum three years.
- Surendra Somani:** Minimum three years. EU GMP.
- Tushar:** And sir, one last question. You mentioned that in four to five years, it's possible for you to achieve 1,200 to 1,300 crores. That's a wonderful goal for you. But I just want to know, like, what are the growth drivers that would help you achieve that turnover?
- Surendra Somani:** Basically, the therapeutic segments which we are focusing on, the chronic segments, cardiology, diabetes, and CNS. So, it will be quite a bit of a shift from our dependence earlier on anti-infectives to chronic products. So, they will drive the growth.



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- Tushar:** That answers my question.
- Moderator:** Thank you. Our next question is from the line of Mitesh from Verma Capital. Please go ahead.
- Nitesh:** This is Nitesh from Burman Capital, by the way. I have a question on the 1,200 to 1,300 crores sort of numbers that other participants were discussing. So, when you talk about doubling your revenue in three years' timeframe, what kind of assumptions go into it under all various segments? So, APIs, formulations, for example, what kind of growth do you see in these individually? And also, since you are working on KSM as well, want to understand if these will be for outside sales or in-house consumption? And if in-house consumption, then what percentage of APIs do you expect to be backward integrated completely?
- Surendra Somani:** Sir, firstly let me clarify. As of now, we don't intend to sell any KSMs which we will make. Whatever we make will be for our own consumption. The development and commercialization of KSMs will take some time, but it will make us competitive and help our growth. It will also reduce our dependence on China, which is a volatile market. So, that is as far as KSMs are concerned.
- Regarding growth of APIs and formulations, I would put it that both are in the range of 15% plus minus. API would be more because of Panoli, but if you talk about revenue booked in the books, in the next three years, a lot of APIs may go into the formulations in our integration. So, it depends on how you look at it. Production versus sales.
- Nitesh:** So, did you say 15% kind of growth for API and formulations? I assume this for FY '25. I was asking more from a three-year point of view. Because consol level you are guiding for doubling of profits roughly.
- Sanjay Dosi:** It's like this. This year, it's like 18% around. Next year you will have a higher growth in API because of Panoli starting. So, next year and the year after that, if I say in two years we achieve about 200 crores turnover from Panoli, which is roughly about 30% of today's consolidated turnover. So, that would be apart from our normal growth. So, API would grow next year by about 30%-35% and again 35% in the year after that.
- Nitesh:** And how long will the formulation be for FY '26-27?
- Sanjay Dosi:** I think that we are assuming about 10% to 15% kind of growth in formulations.
- Nitesh:** So, the second question I have is on the kind of competitive strength that we have in some of the newer chronic therapies. I understand traditionally our strengths have been in anti-infectives. So, as you foray into these newer molecules, are there any certain set of chemistries or certain other capabilities that give you the right to win?





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So, basically want to understand your rationale to foray into it. Because even though these are chronic therapies with slightly higher margin, the markets are still competitive. So, what gives you the assurance to do well in the newer category?

**Surendra Somani:**

Sir, this is a strategic decision based on various factors. Firstly, chronic therapy within which cardiac, diabetes and CNS are the highest growth. Now within these therapies, we have selected the newer molecules which have just gone off patent or are going to go off patent in the next 2, 3, 4 years. Even in the CNS segment, we have selected molecules, some of which may go off patent in 2030. So, these are all futuristic molecules.

Why we have chosen to be in these molecules in terms of competition? Well, in some cases we are planning to make the KSM and also do the forward integration of making the formulations. So, that will give us a slight edge over the other competitors. But the fact remains that there is no pharmaceutical product when you talk about this where there is a monopoly unless it is under patent. So, competition will be there. Whether you talk of anti-infectives or diabetes or cardiology or any other therapy.

**Sanjay Dosi:**

I will respond on that. We have already developed a few products and the cost of which is as competitive as the market is. So, we are quite confident that our product development would be competitive as far as costs are concerned. We have no handicap as far as competing with other competitors.

**Nitesh:**

One more question. What kind of pricing erosion do we typically see in our APIs on a year-on-year basis on a blended level?

**Surendra Somani:**

See, when you talk of the newer products, for example if you talk of a Ticagrelor or Rivaroxaban, Empagliflozin, there will always be price erosion from the day one has launched till it becomes a stable price. The reason being that when the patent falls off, the price is 100 times higher and gradually it comes down year-after-year or quarter-after-quarter.

But then the chemistry also improves, volumes improve and therefore the volumes of KSM improve and the prices go down. So, when you talk of price erosion, there is actually in terms of percentage, the margin doesn't reduce, but in terms of cost and price, both will reduce. It depends on product to product.

**Nitesh:**

That's all right. For the newer, recent off-patent products that's all right. I was asking more on established products like Meropenem and Atenolol etc., which are your top products. Are you seeing some kind of pricing pressures also there because of competition from China?

**Sanjay Dosi:**

I mean, I will put our products into two categories. Some products are very stable as far as pricing is concerned, like Atenolol, there is hardly any movement as far as prices are



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concerned. So, we are not seeing any price erosion in say, Atenolol or NitroClean or Biapenem, Doripenem, etc. Few products are very volatile which keeps moving like Meropenem, which keeps going up and down. There is no linear trend as far as always going down or always going up. Every month it keeps fluctuating.

**Moderator:** Thank you. Our next question is from the line of Julie. Please go ahead.

**Julie:** Sir, you mentioned that we are planning to launch Penems, around three Penems. So, how big is this opportunity for us? And also, how much addition do we expect in the top line after one to two years?

**Surendra Somani:** I think you are talking about the bio line, the Penems have already launched. We already manufacture and sell Meropenem, Ertapenem, Doripenem, Biapenem, Carbapenem. All these products we are already manufacturing and selling as API.

**Julie:** I mean that the vial filling line that we are adding, the lines that we are adding, how much will that help us get incremental revenue?

**Surendra Somani:** The revenue of the API will go down and the revenue of the formulations will increase. Only the additional margins of the formulations will be the add-on to the top line.

**Sanjay Dosi:** I think the whole objective is two-fold as far as the vial filling line is concerned. One is, it insulates us to some extent from day-to-day volatility in pricing of Penems because at the moment, we are selling it to all vial filling players for which you have to compete with other manufacturers. Once we have our in-house lines, that competition we can avoid. So, there would be a better insulation as far as pricing of these products is concerned.

Second thing is, it gives us value addition of formulations because we would be selling it as a formulation so that value addition will also increase. And there would be stability of market for us in terms of volumes.

**Julie:** So, my next question would be like, as much as I understand cardiac segment, overall industry data shows that the cardiac segment is facing a lot of competition in recent times and margins are shrinking. We see that volume growth has seen some reduction. So, how do you think we will be able to succeed with new launches and how do we wither through this competition?

**Surendra Somani:** What you are referring to is the domestic market for formulations. Fortunately, we are only in the export market. We don't do any domestic sales of formulations, and the market is huge. We are comparatively one of the players who do not control the market but who are not affected also.



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- Julie:** And sir, what are our CAPEX plans for the next 2 to 3 years, if you can just give me a ball mark over?
- Surendra Somani:** Our biggest CAPEX plan is just now finishing, which is Panoli, which we mentioned is between 50 to 60 crores. Then we will be adding the vial filling line project, which would be maybe another 30 crores or so, or maybe more. We are still at the stage to decide whether we do two lines or one line. So, that is under finalization. And there is a continuous CAPEX of upgradation of plant in terms of automation and increase in capacity. So, over the next 3 years, you could see a CAPEX of a little more than 100 crores.
- Julie:** And sir, as we plan to backward integrate our facilities, how much do you think that will reduce our dependency on China, like once it fructifies, how much dependency should reduce?
- Surendra Somani:** I cannot often give you a percentage, but gradually, I don't have a percentage, but as I said, gradually and definitely the entire Indian pharma industry, thanks to the support of the government, will be gradually reducing the imports from China. You may be aware that the government came out with the PLI scheme for various products. The projects are still under installation. So, it may take 5 years, 7 years. I cannot make an exact guess. But just as we are also planning to make some KSMs. Everybody is planning. And there are many independent manufacturers coming up to manufacture the key raw materials in India even though they don't make the API. So, this is happening definitely, but over a period of time.
- Moderator:** Our next question is from the line of Mitesh from Verma Capital. Please go ahead.
- Mitesh:** Sir, my question is what is your product concentration and customer concentration of top 5 molecules and customers respectively?
- Sanjay Dosi:** Which categories you are saying? Formulations or KPI or what?
- Mitesh:** Basically, molecule-wise, customer concentration, you can share separately. So, I understand Meropenem is 20% of your sales and Atenolol is roughly 14%, 15% of your sales. Likewise, the remaining 3 molecules would be, would they add up to another 20-25 odd percent?
- Sanjay Dosi:** Other 3 molecules will add up to about 15% to 18%.
- Mitesh:** So, basically the top 5 is roughly 50% to 55%.
- Sanjay Dosi:** Yes.
- Mitesh:** And what would this be in terms of customer concentration for top 5 APIs and top 5 formulations?



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**Sanjay Dosi:** So, there is no, I mean, these are not like with one customer or two customers kind of a thing. Meropenem, in India, we are selling to every player. There is no customer concentration as far as molecules are concerned.

**Mitesh:** And among these top products, top 5 or at least the Meropenem and Atenolol, do you see the market being stable in terms of demand requirement and competition and pricing as well or is there any risk of too many competitors entering like we have seen recently in some of the big molecules? So, how do you see the entire competitive dynamics playing out in India?

**Surendra Somani:** Sir, as far as Atenolol is concerned, there are no new players which are coming in and the last player who is exiting is Deva, who is going to work with us. So, Atenolol, there is no new competition, we expect. Meropenem is one of the products of the Penem family and Penem is a fourth generation antibiotic and there are newer Penems which will come also in the next 5-7 years.

So, there will be players. Some may enter. Some may exit also. It depends on the size of the player and his competitiveness and that is one of the reasons that we want to forward integrate and also maybe backward integrate in due course so that we continue to be competitive and be part of the growing Penem market. The Penem market overall is growing, especially in the Third World.

**Mitesh:** Sir, in terms of our global positioning in both these molecules, what would be our scale compared to, let's say, some of the largest players in both of these?

**Sanjay Dosi:** In terms of Atenolol, we are the second largest in the world. IPCA is the largest. And so, that's the situation and we don't see anybody else new coming in there. And as far as Meropenem is concerned, in India there are 4-5 players. If you look at larger companies, Aurobindo is there. Then Rajasthan Antibiotic, Hester, Ilumya and Sun Pharma too, but they are not big in antibiotic market and Glen Pharma. At the moment, we have a highest share in Meropenem business for 6 months and the market is growing as far as Meropenem is concerned in India.

**Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

**Surendra Somani:** I would just like to thank all the investors and those specifically who have asked questions because that shows their interest in the company and its future, and we can commit to see that we grow and ensure that we live up to the expectations of our investors. Thank you so much.

**Moderator:** Hello, sir. There is one question from Rohan. Next question is from the Rohan Patel from Turtle Capital.



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- Rohan Patel:** Last call you mentioned that your commercial orders will be starting for ethanol in U.S., if I am right?
- Sanjay Dosi:** Atenolol.
- Rohan Patel:** Atenolol.
- Rohan Patel:** Yes, Atenolol. And you were planning to supply some more 60% to 70% of these requirements for one of the large MNCs. So, can you just explain, like, what's happening over there? Any progress over there? And what kind of product that is?
- Surendra Somani:** So, this we were referring to, I think we clarified last time. So, it pertains to one of the largest user of Atenolol which is Teva. Teva is one of the biggest generic companies in the world. They were manufacturing Atenolol earlier, which they are stopping now, and we have supplied some material. They have taken the validation batches, and they are waiting for their permission for the change of vendor. They have already placed some orders with us and gradually over the next 6 months to 1 year, we expect the complete business to be routed to Kopran.
- Rohan Patel:** And can you just give us the idea, like, how big that business could be for us?
- Ajit Jain:** 25 to 30 tons.
- Rohan Patel:** 25 to 30 tons, if I hear you right?
- Ajit Jain:** We are now 12% of our capacity.
- Rohan Patel:** 12% of our capacity, okay.
- Moderator:** Thank you. On behalf of Kopran Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.