Vaishali Pharma Ltd.

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February 09, 2024

To,
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C1,
G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai – 400051

Stock Code: VAlSHALI

Sub: Transcript of Earning Call pertaining to the Financial Results for the quarter and nine month ended December 31, 2023

Dear Sir/ Ma'am,

We enclose herewith a copy of the transcript of the Earning Call on the Unaudited Financial Results of the Company for the Third quarter and nine months ended December 31, 2023 held on Tuesday, February 06, 2024.

The same is also being made available on the Company's website at www.vaishalipharma.com.

We request you to take the same on record

Thanking you.

Yours faithfully
For Vaishali Pharma Limited

ATUL ARVIND VASANI

Digitally signed by ATUL ARVIND VASANI
DN: c=IN, postalCode=400092, st=MAHARASHTRA, street=MUMBAI, l=MUMBAI, o=Personal, serialNumber=3591401253e140785bf4249cd5cc73169b6ae32adb4a9dbf0b3e540264d56776, pseudonym=4577c645acbd4b81950fdca30f5e447f, 2.5.4.20=747c128d3a1e3225296efcb194cb6551268d2b7a9727 51d8213868e9796dfe56, email=ATUL@VAISHALIPHARMA.COM, cn=ATUL ARVIND VASANI
Date: 2024.02.09 18:27:19 +05'30'

Atul Vasani
Chairman & Managing Director

“Vaishali Pharma Limited

Q3 FY24 Results Conference Call”

February 06, 2024

MANAGEMENT: **MR. ATUL VASANI – CHAIRMAN AND MANAGING DIRECTOR – VAISHALI PHARMA LIMITED**
MR. DEWANSH VASANI – EXECUTIVE DIRECTOR – VAISHALI PHARMA LIMITED
MR. RATNESH SINGH – CHIEF FINANCIAL OFFICER – VAISHALI PHARMA LIMITED

MODERATOR: **MS. VAISHNAVI AMBOKAR – KIRIN ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to Q3 FY24 Result Conference Call of Vaishali Pharma Limited hosted by Kirin Advisors. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Vaishnavi Ambokar from Kirin Advisors. Thank you and over to you, ma'am.

Vaishnavi Ambokar: Thank you. On behalf of Kirin Advisors, I welcome you all to the conference call of Vaishali Pharma Limited. From the management side, we have Mr. Atul Vasani, Chairman and Managing Director, Mr. Dewansh Vasani, Executive Director, Mr. Ratnesh Singh, Chief Financial Officer.

Now, I hand over the call to Mr. Dewansh Vasani. Over to you, sir.

Dewansh Vasani: Good afternoon and thank you for that warm welcome. I appreciate the opportunity to address the distinguished participants of this conference call. As we gather to discuss the performance of Vaishali Pharma Limited during the Q3 financial year 24, it's indeed an exciting time to reflect on our achievements and milestones. Before we dive into the details of our performance, let me provide a brief overview of our company and our business model. Our organization, which was founded in 1989 in Mumbai, Vaishali Pharma is one of the leading pharmaceutical companies committed to manufacturing and marketing a diverse range of healthcare products.

The extensive portfolio includes active pharmaceutical ingredients, formulation, surgical products, veterinary supplements, herbal items, nutraceuticals and oncology products, catering to the holistic healthcare needs of both humans and animals. With decades of experience, the company collaborates with manufacturing facilities across India, ensuring compliance with WHO GMP guidelines. Vaishali Pharma has a global presence through strategic partnerships in the Democratic Republic of Congo, Kenya, and Russia, aiming to bring unique value to patients worldwide by distributing pharmaceutical products in this region.

The organization's journey, achievements, and strategic vision will be shared in the investor relationship meeting, reflecting the commitment to excellence in their ever-evolving pharmaceutical sector. In each manufacturing unit, we have dedicated quality control teams to ensure the high quality of our products. Over the years, we have successfully manufactured and exported more than 250 formulations, specializing in tailor-made healthcare solutions.

We have started working in the new pharmaceutical product area, and our ongoing collaboration and partnerships are going to be important for our future growth. As suppliers of APIs to renowned companies approved by multinationals and major Indian corporations, we offer competitive rates for formulations. The quality of our products is the core of our business.

The quality of our products at competitive rates offers us huge growth opportunities for seeking orders from multinational companies. Further, our research and innovation will strengthen our position in contract manufacturing. With a well-structured supply chain management system, we consistently deliver on time, fostering substantial growth in our customer base over the years.

Our vision at Vaishali Pharma is clear. To be recognized as a prominent Indian multinational in the pharmaceutical and healthcare industry, we are driven by a mission to actively contribute to the well-being of society by delivering high-quality products and services. Our core values include our commitment to total quality management, providing excellent customer support, building enduring trust in business relationships, and demonstrating respect for all individuals.

Embedded in our business ethics is the Vaishali code of conduct, which upholds values such as integrity, customer focus, innovation, passion, productivity, and adaptability. We ensure compliance with the regulatory requirements of different countries, navigating their rules and documentations. Recently, our company proudly participated in CPHI Barcelona, a globally recognized pharmaceutical exhibition.

This platform allowed us to showcase our expertise and capabilities across the entire pharmaceutical supply chain, from APIs and machineries to outsourcing and biopharmaceuticals. This presence at CPHI worldwide reflects our continuous efforts to stay at the forefront of the evolving healthcare industry. In tandem with our participation at CPHI Barcelona, we are delighted to introduce a new brand, Healthy, which embodies our ongoing commitment to providing impactful health and wellness solutions.

One of the highlights of this introduction is the unveiling of our latest product, the Healthy Biotin and Multivitamin Gummies. These innovative gummies are designed to balance hair, skin, and overall health. By combining the potency of biotin, essential vitamins, and natural extracts, our healthy products aim to foster hair growth, improve skin radiance, and elevate overall vitality. This strategic move aligns with our mission to empower individuals to lead healthier lives and reflects our dedication to develop products that make a positive impact.

As we continue to navigate the dynamic landscape of the healthcare industry, we are confident that our initiatives at CPHI Barcelona and the introduction of the Healthy brand will contribute significantly to our growth and further establish our position as a leader in providing innovative health solutions. Quarter three Financial '24, financial highlights. In Q3 Financial '24, the company sustained strong financial performance.

Total income rose to INR28.37 crores with EBITDA at INR3.42 crores and a commendable EBITDA margin of 12.05%. Net profit stood at INR2.11 crores, reflecting a net profit margin of 7.44%. Earnings per share for quarter financial year '24 is INR1.99. For the cumulative nine months of financial year '24, the company exhibited consistent growth. Total income reached INR55.01 crores, supported by robust EBITDA of INR9.05 crores and an EBITDA margin of INR16.45 crores.

Net profit for nine months of financial year '24 amounted to INR5.40 crores, resulting in a net profit margin of 9.82%. The EPS for this period stands at INR5.10, emphasising sustained profitability and shareholder value creation. Overall, both Q3 and nine months of financial '24 reflect a positive financial trajectory, indicating the company's resilience and effective financial management.

Looking forward, our optimism for the future is grounded in our proactive approach. We are diligently reassessing our operations, identifying new opportunities and strategically leveraging our strengths to ensure sustained growth in the ever-evolving market. Our unwavering commitment to excellence, stakeholder value and making a meaningful contribution to global healthcare improvement continues to be the driving force behind our endeavours.

As we navigate this path of growth and transformation, I extend my sincere gratitude to all our stakeholders. Your unwavering support and trust have been instrumental in our journey, and we are truly grateful for the role you have played in our success.

Moderator: Thank you very much. We will now begin the question and answer session. And the first question is from the line of CA Varun Agarwal, an Individual Investor. Please go ahead.

Varun Agarwal: Thank you for the opportunity. Am I audible?

Moderator: Yes, you are audible.

Varun Agarwal: So, I see that historically the margins of our business have been volatile. What can we assume to be the sustainable margins going forward?

Dewansh Vasani: The margins which provided are, sir, you have been saying the volatility in the margins. Sir, we have a business of API, formulation, veterinary, surgical. So, sir, we have a combined business of all these. There are times when API businesses are booming or you can say when formulations are booming. So, according to that, the margins are volatile, as you said.

Varun Agarwal: At least a broad range, can you give that in this range the margins will be sustained going forward?

Dewansh Vasani: Broad range we can say. So, currently the share is 40-60, where 40% is from the formulation, surgical and 60% is from API. We are growing in a direction where we want 50% from formulation, surgical and things and 50% from API. And gradually we will be in that path to increase the margins from -- to increase the business from formulations and veterinary products and surgical products, those range.

Varun Agarwal: So, as we move ahead, expanding in the formulations business, the margins should further expand, right?

Dewansh Vasani: Yes.

Varun Agarwal: Okay, and when you say formulations, do we have, do we sell branded generics also?

Dewansh Vasani: Yes, it's a branded business. Branded generic.

Varun Agarwal: Yes, we sell these formulations in our own brand or?

Dewansh Vasani: Formulation in our own brand and as well as our customer's brand. We work in both models, depending on the country.

Varun Agarwal: So, on an overall basis of the entire revenue, how much would be the share of our own brands?

Dewansh Vasani: So, bifurcating that, we usually bifurcate it in formulations, surgical, veterinary and APIs. And in formulations, if we say in our brand and in their brand, it will be 70% will be -- 60% will be their brand, 40% to 45% will be our brand.

Varun Agarwal: Okay, one last question. How much is the strength of our R&D team and how much do we spend in R&D each year?

Dewansh Vasani: Sir, we have a total strength of 35 in our office, in our company, out of which six people are for registration and dozier purposes. That is our regulatory team. We have a Chief Technical Officer above them, who looks after this division.

Varun Agarwal: Okay.

Dewansh Vasani: So, for the regulatory team, we have six and a Chief Technical Officer on it.

Varun Agarwal: Okay, got it. Thank you and all the best. Thank you so much.

Moderator: Thank you. The next question is from the line of Yashanti from Kojin Finvest. Please go ahead.

Yashanti: Thank you for the opportunity. Sir, just continuing with the last question, you said that your margin will vary whether your sales is more from the API or the formulation. So, just wanted to understand what kind of a margin generally we get on the API business and on the formulation business? Going forward, what is the demand outlook for your API business and formulation business? And what are your strategies to grow or to put more focus on either of the segments?

Dewansh Vasani: Thank you for the question, madam. Madam, as you asked, 7 years, 8 years, 10 years down the line, 10 years before this, we were totally into API business.

Yashanti: Okay.

Dewansh Vasani: The API business has a margin of, say, 2% to 3%, 2% to 4%, you can say.

Yashanti: Okay.

Dewansh Vasani: For domestic, right? In domestic.

Yashanti: Right.

Dewansh Vasani: And in export, the API business consists of 5% to 7% of the margin. And in formulation, it ranges from 15% to 40%, 45%.

Yashanti: Okay.

Dewansh Vasani: So, gradually, before that, 10 years before, we were only into API. Gradually, we have been promoting more of formulation, surgical, veterinary products. So, now at this stage, we are 40-60. And gradually, by next year, we will be 50-50. And we are focusing continuously on the formulation business itself.

Yashanti: Okay. So, demand is quite optimistic as far as your formulation business goes from your client or from the industry you serve.

Dewansh Vasani: Can you please come again, madam?

Yashanti: So, you said that the demand is quite good, quite optimistic from your client for your formulation business and the industry, overall in the industry?

Dewansh Vasani: Yes, madam. It is very optimistic and it is very sustainable as well. We have 350 brands registered and 200 brands are in pipeline.

Yashanti: Okay.

Dewansh Vasani: Yes. So, that goes for a long-term vision. We go ahead with a very long-term vision with more brands coming up in next 2 years, 3 years.

Yashanti: Okay. So, I would also like to have your international and domestic contribution and how you see your international business going on. And what are your strategies, to ramp up the business in international market?

Dewansh Vasani: Madam, 40% is of formulation, 60% is of API. And out of this, of the revenue, you can say 40%-45% is of export business and 50% to 55% is from domestic.

Yashanti: Okay. And as you say that markets are comparatively good, that will help you, right?

Dewansh Vasani: Yes, that will.

Yashanti: Isn't the proportion of the domestic and export is likely to change over the period of years? Let say for the next 2 to 3 years?

Dewansh Vasani: Yes, madam. The total focus which we are embedding on is formulations of product and for which we have been continuously registering our brands. So, our total major focus is on the formulation business.

Yashanti: Okay. So, that is why I believe we can see the difference in the EBITDA margin. Your EBITDA margin for the quarter was around 12% and for the 9 months it is 16%. So, you see that there is a very good headroom for EBITDA margin to expand in the coming time as we

are focusing more on the formulation business, one. And second, you are focusing more on the export business. Am I understanding it correctly?

Dewansh Vasani: Yes, perfect.

Yashanti: Okay. So, what is the margin you would see over the period of next three to five years from 16% level which you have reported for the 9 months?

Dewansh Vasani: Madam, we aim to grow drastically. We wish to grow. But hopefully, we see in next three to five years, we have a dream of achieving our INR500 crores revenue with EBITDA margin of -- EBITDA percentage of 25%, madam.

Yashanti: Okay. And is INR500 crores achievable in what period of time?

Dewansh Vasani: Within five years' time, madam. We work hard towards it and we have a goal to achieve.

Yashanti: Okay. So, are we looking to expand our capacity? How are our capacities used? Are they completely used or there is a need to further expansion?

Dewansh Vasani: No, madam. We don't have our own unit. We make our material in 22 sites, 22 and more different sites where we have our material manufactured. So that might be a very light portion of the capacity. But we don't have our own. So we cannot comment on it. But we wish to acquire a factory and we plan to acquire. We are going ahead to acquire a factory in next two to three years.

Yashanti: Okay.

Dewansh Vasani: Where we are going to have a capex. So we will be planning on it.

Yashanti: Okay. So, you said you are currently manufacturing at 20 to 22 different sites which is not your factory. So, is my understanding correct that you are working in your clients' factories and giving them the required inputs in terms of the API formulation or your place of the manufacturing is in the rental? How the things are?

Dewansh Vasani: Madam, can you please come again?

Yashanti: So, you said that you are manufacturing at 20 to 22 different locations. So is that that you are manufacturing at your clients' factories for their requirement or you have a segregated manufacturing system as per the product?

Dewansh Vasani: See, I will tell you. Madam, the thing is different countries have different registration procedures, right?

Yashanti: Yes.

Dewansh Vasani: So, if I have got a plan for say ointment, I cannot make a tablet there. I cannot make capsules over there. So I need a tablet capsule manufacturing facility somewhere else.

Yashanti: Okay.

Dewansh Vasani: And for injection as well, we need a different unit. And each factory has their capability. It's a WHO GMP approved or it is EU GMP approved. It depends on the factory, right? So for -- we are exporting in 40 plus countries, madam.

Yashanti: Right.

Dewansh Vasani: So, we need to go -- we need to find a factory who is capable enough and which delivers on time with this quality product. So we find different, different factories and then we have a contract with them, say, third party manufacturing and then we supply to our clients.

Yashanti: Okay. So normally your manufacturing setup is on a third party arrangement where the factory is already set up by someone. We go and acquire it to make the production, right?

Dewansh Vasani: Yes, madam.

Yashanti: And normally for how long this arrangement is with them?

Dewansh Vasani: How long we are?

Yashanti: Normally, whenever you acquire any factory, how long you need to enter into an arrangement with them? For 3 years, 5 years, 10 years?

Dewansh Vasani: Five years agreement, madam.

Yashanti: Five years, which is renewable.

Dewansh Vasani: Yes, and then it is renewable.

Yashanti: But as you say that you wanted to focus more on your [formulations], what kind of an order book currency you have?

Dewansh Vasani: Order book currently, we have order of INR12-plus-crores, madam, for formulations in hand, which includes formulation, surgical, veterinary.

Yashanti: Okay.

Dewansh Vasani: And API for export, yes.

Yashanti: Thank you. So, there is news in the market, which I heard from some of the analysts commenting that you have received a very big order of around INR600 crores. So what is your comment and how would you like to comment on it?

Dewansh Vasani: So, madam, in this thing, the paperwork is so long and it takes time. So it is still going on, madam. And hopefully, it will be done very soon. We are praying for the same thing that it happens very soon, madam.

Yashanti: Okay. There is a likely order inflow of around INR600 crores, which will change your financial dramatically in the coming times.

Dewansh Vasani: Yes, madam, totally. The revenue which I am talking about without this is INR500 crores in next 5 years. And this will totally change it.

Yashanti: Okay. And this is an international order or domestic order?

Dewansh Vasani: It is an international tender business, madam. Tender order for international purpose.

Yashanti: Okay. So, would you like to go for a capex to execute such orders? What are your plans or strategies for this thing?

Dewansh Vasani: No, madam, there will be no requirement for it because there is a deal with it where we have demanded advance from them.

Yashanti: Okay. So, you will be receiving some advance and then the payment will happen at the completion of the milestones, right?

Dewansh Vasani: Yes. And I remember we have already forwarded this to, informed it to NSE as well.

Yashanti: Okay. That is really good. So, this is a kind of a contract manifesting order, right?

Dewansh Vasani: Yes, madam. Yes, madam.

Yashanti: Okay. And as far as the expansion goes in the international market, currently we are serving to the 40 odd countries. So, what are your plans for international expansion? Which other countries you wanted to go for it? And what kind of a regulation trade you may face entering into this market?

Dewansh Vasani: Madam, we have grown horizontally right now and now we are planning to grow vertically. So, around 50 countries we are good enough with it and then we will not be planning to explore horizontally and then we will only be planning to grow vertically. Then we will be focusing on each and every country in deep and then we will be visiting those countries, we will be staying there, we will have a team there and then we will grow in that country particularly.

Yashanti: Okay. Sir, in any government incentive are you getting it currently from the Indian government?

Dewansh Vasani: Any incentive which we are receiving? No. You can say the duty drawback, there is a duty drawback which we get when we export. So, that is what I am getting. So, that accounts to 2, that accounts to very less, it varies from product to product, 1%. In many of the products we do not get it, in some products you get 1%, 1.5%, this is what we get.

Yashanti: Sir, not material.

Dewansh Vasani: Yes.

Yashanti: So, it is not material.

Varun Agarwal: No, yes.

Yashanti: Thank you so much for answering my question, I will join back in a few and all the very best for your future.

Dewansh Vasani: Thank you so much, madam.

Moderator: Thank you. The next question is from the line of Aanya Swaminathan from C Square, please go ahead.

Aanya Swaminathan: Hi sir, thank you for the opportunity. Can you please explain your vertical wise revenue contribution?

Dewansh Vasani: Vertical wise revenue contribution, so in terms of API formulation this is what you want, right?

Aanya Swaminathan: Yes, correct.

Dewansh Vasani: API, 40% total revenue, 40% is of formulation, 60% is of API. In formulation includes veterinary which would comprise 20%, surgical would comprise 40%, formulation would go for 35% to 40%, 5% you can say for nutraceuticals, madam, 5% nutraceuticals.

Aanya Swaminathan: Okay.

Dewansh Vasani: Yes, nutraceuticals is growing currently, we have recently tied up with Sankalp LifeCare which is based in Ahmedabad.

Aanya Swaminathan: Okay.

Dewansh Vasani: Which is based in Ahmedabad and then we are growing with it. We have given them make a marketing right, so we are growing with it. So, nutraceutical is just a beginning but it will grow significantly over the years.

Aanya Swaminathan: Okay, alright. And sir, last year you have received an export order of INR600 crores. So, that order was pending because of advance payment. So, what is the status currently?

Dewansh Vasani: Just like a labs the lady who asked me previously, I just answered the same thing. We are going ahead with it, the paperwork is still going on. They are solving, resolving the situation in their country to provide us with advance.

Aanya Swaminathan: Okay, and any product launches in pipeline or any vertical expansion?

Dewansh Vasani: In domestic market, in the market place, we have gone ahead with healthy, that is a biotin and multivitamin gummies. So, we have launched that on Amazon and we are planning to go ahead with 15-20 more products in this pipeline. We have 3 products, 4 products which will be

within 2 to 3 months from now. Just like the healthy biotin and multivitamin gummies, we are coming ahead with more 3-4 gummies.

Aanya Swaminathan: Okay.

Dewansh Vasani: Which will be in the market place in the next 3 months.

Aanya Swaminathan: Okay. And what are our marketing efforts and any other further plans for it?

Dewansh Vasani: Marketing efforts? Madam, we try and attend maximum fest, that is exhibitions which take place worldwide. As mentioned in my speech before, we have attended CPHI worldwide, which was at Barcelona. Then CPHI India, which is held at Delhi every year. Then there is IFEX, which is again held at Delhi. And then there are few exhibitions in Dubai, that is Arab Healthcare, Dupat.

So, we try and take place, we try to cater maximum of the exhibitions. Each and every exhibition, there are 4-5 of our marketing people who go there and attend the exhibition. This is one thing, which helps us to meet our existing clients, to understand their needs and to get more and more clients from the exhibitions.

This is one thing. Second thing is the promotional materials. In each and every country, where we export, along with the material we send, we try and send some of the promotional materials, which helps us to attract them. And then we visit those countries, we try and visit maximum countries, which we cater, so that we can understand the country situation, the clients' needs and we can get a judgment of their setup as well.

Aanya Swaminathan: Okay, and any plans for capacity expansion?

Dewansh Vasani: Madam, for capex, in 2-3 years, we plan to acquire a factory.

Moderator: Okay. All right, sir. Thank you.

Dewansh Vasani: Thank you.

Moderator: Thank you. And the next question is from the line of Ritika Jain, an Individual Investor. Please go ahead.

Ritika Jain: Thank you for the opportunity. So, what is our working capital cycle?

Dewansh Vasani: Pardon, can you repeat the question?

Ritika Jain: What is our working capital cycle?

Dewansh Vasani: 90 days.

Ritika Jain: 90 days. Okay. So, can you elaborate on strategies for improving our EBITDA margin from current levels?

Dewansh Vasani: To increase our EBITDA margin, madam, we are focusing more on our high margin products, that is our formulation, veterinary and surgical products. And we are growing with our niche products, so we are working more towards it.

Ritika Jain: Okay. Thank you so much.

Dewansh Vasani: Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Ms. Vaishnavi Ambokar for closing comments. Please go ahead.

Vaishnavi Ambokar: Thank you, Muskan. Thank you everyone for joining the conference call of Vaishali Pharma Limited. If you have any queries, you can write us at researchkirinadvisors.com.

Dewansh Vasani: Thank you.

Vaishnavi Ambokar: Thank you everyone for joining the conference call.

Moderator: Thank you. On behalf of Kirin Advisors that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you so much.