

**THRU ONLINE FILING**

April 27, 2023

BSE Ltd.  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai 400 023  
Scrip Code – 524494

National Stock Exchange India Limited,  
Exchange Plaza, C-1, Block-G,  
Bandra Kurla Complex, Bandra – (East).  
Mumbai-400051.  
Scrip Code : IPCALAB

Dear Sirs,

Dear Sirs,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith transcript of our Conference Call which was held on Tuesday, 25<sup>th</sup> April, 2023 to discuss our acquisition of 33.38% shareholding in Unichem Laboratories Ltd.

Thanking you

Yours faithfully  
For Ipca Laboratories Limited

Harish P. Kamath  
Corporate Counsel & Company Secretary

**Encl: a/a**

Ipca Laboratories Ltd.

[www.ipca.com](http://www.ipca.com)

125, Kandivli Industrial Estate, Kandivli (West), Mumbai 400 067 (Maharashtra), India | T: +91 22 6210 5000 F: +91 22 6210 5005

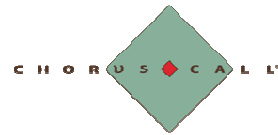
Regd. Office: 48, Kandivli Industrial Estate, Kandivli (West), Mumbai 400 067 (Maharashtra), India | T: +91 22 6647 4444

E: [ipca@ipca.com](mailto:ipca@ipca.com) CIN: L24239MH1949PLC007837



“Ipca Laboratories Limited  
Corporate Announcement Call”

April 25, 2023



**MANAGEMENT:** **MR. AJIT.KUMAR. JAIN – MANAGING DIRECTOR AND  
CHIEF FINANCIAL OFFICER – IPCA LABORATORIES  
LIMITED**  
**MR. PRANAY GODHA – MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER – IPCA LABORATORIES  
LIMITED**  
**MR. PRASHANT GODHA – EXECUTIVE DIRECTOR –  
IPCA LABORATORIES LIMITED**  
**MR. HARISH KAMATH – CORPORATE COUNSEL AND  
COMPANY SECRETARY – IPCA LABORATORIES  
LIMITED**

**MODERATOR:** **MR. UTSAV JAIPURIA – DAM CAPITAL ADVISORS  
LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Ipca Laboratories Limited Corporate Announcement Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, 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 Mr. Utsav Jaipuria from DAM Capital. Thank you and over to you, sir.

**Utsav Jaipuria:** Thanks Darwin. Good afternoon everyone and thank you for joining us for the conference call with Ipca Laboratories on the acquisition of a 33% stake in Unichem hosted by DAM Capital Advisors. On the call today, we have the management team of Ipca led by Mr. A.K. Jain, Mr. Pranay Godha and Mr. Prashant Godha, Managing Directors, and Mr. Harish Kamath, Corporate Counsel and Company Secretary. I will now hand over the call to the management to make their opening comments following which, we will open the floor for questions. Over to you, sir.

**Ajit Jain:** Thank you everybody for taking out time and joining us on this conference call. Thanks, Utsav and DAM Capital for arranging this call at a very short notice. This con call and discussion may include some forward-looking statements, based on our business expectations. Participants may use their own judgment before making any decision based on this call. All of you are now aware that, the company has entered into SPA to acquire 33.38% of shareholding of Unichem Laboratories for INR1,034 crores.

Additionally, this acquisition has also triggered an open offer for an additional 26% of the company's equity capital, aggregating to another INR806 crores, presuming 100% response. These acquisition costs will be funded through the company's retained earnings. Needless to say, this acquisition is subject to approval of the Competition Commission of India and among others. Unichem has developed an excellent proven track record on regulatory compliances. This acquisition is in line with our stated strategy to enhance our product offerings, in the chosen growth market.

Briefly, the synergies on mutual benefit to both the companies out of this acquisition are, Ipca has a very strong API franchises, with backward integration strength, that will be immense value to Unichem, in scaling up their global generic portfolio and also increase the market share with cost efficiency and competitiveness. Unichem has 76 ANDAs filing in US, out of which, 54 ANDAs are registered, 44 products are marketed in United States, few of these products are having good market share with further growth potential. Unichem has also filed around 78 API DMFs in US market.

Where, Unichem is not meaningfully present, Ipca can increase its product offering on those markets through Unichem's developed generic through market extensions, in markets like Europe, Australia, New Zealand, where Ipca has very good presence. Ipca will also look forward to market, some of the Unichem's branded formulations registered in various RoW markets. Giving briefly the rationales and strategies of this acquisition, I now open the floor for question and answer.

**Moderator:** Thank you. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Pankaj Tibrewal from Kotak Mutual Fund. Please go ahead.

**Pankaj Tibrewal:** Good evening everyone. I have a few questions. The first one is on the capital allocation. When I look at the past for the last five years, we have done different smaller acquisitions. Maybe like Bayshore, Ramdev, Noble, Pisingah and about INR600 crores-INR650 crores have already been invested. When I look at the execution on those, those have not been inspiring and they have diluted our return ratios from where it was.

Can you help us understand that, how as investors we should take that confidence with such a large amount being deployed and any understanding on, what the return ratios could be? Because on the headline basis, it looks that the company has made losses. Last three years, four years, the company has not grown. So can you give us some kind of understanding and how should we gain confidence on the execution? That's my first question and I'll follow up with one more question.

**Ajit Jain:** Currently, a lot of companies are facing headwind in the US and Unichem has a fantastic track record on regulatory compliances, in the past. Looking at that and looking into the current business environment, it appears that, we should be able to comfortably achieve almost around 15% to 17%, kind of growth, in next two years to three years very comfortably. They also have significant capacities, which are available for executions and all. And Unichem has, I do agree that Unichem has higher overheads.

We will have to look into and more critically, on those and also critically see that, how can we optimize the operations and cost optimizations, can be done. As far as their API facilities are concerned, as far as their foundation facilities are concerned, they are excellent facilities are there. As far as API facilities are concerned, their scales are smaller today and the operating costs are higher because of lower scales and all. With some kind of some modifications and all, it is possible to achieve a significant amount of better output from there and reduce the overall operating cost and also the efficiencies can be generated. Detailed work on that has been done by our API team on that account.

Of course, it will require some kind of investment there, but that can be done on that. With that, the kind of growth, which is expected because of current headwinds and also because of all these operational deficiencies, which we can bring on tables. And also we have a lot of backward integrations and some of those kind of intermediates and all can be made available to Unichem at a much lower cost and all, which will also bring in the efficiencies and overall reduction in the cost of production and that will help Unichem, in terms of overall increasing their profitability.

**Pankaj Tibrewal:** Sir, with all due regard, can you help us understand, how the returns will be generated? What is the return expectation on this acquisition because almost you will be investing, if open offer goes through successfully, almost more than INR2,000 crores. So on this kind of a number, the core business which was running well and probably expectation was that, this year could have been a strong year gets diluted. So just wanted to understand that in INR2,000 crores, what kind of a return ratios and what kind of an improvement and profitability, can be expected?

**Ajit Jain:** Let's say, overall investment if 100% of your acquisition goes to the open offer shares are available, then overall investment will be around INR1,839.5 crores overall on that. So it's less than around INR2,000 crores. And overall, let's say current expectations of business are good. Their order positions are also very good. Their order has started increasing from the fourth quarter of the current financial year and looking at overall, the capacities, which are available and utilizations and some of our products can be transferred there and with that, we can have a better utilization from the capacities of Unichem.

And of course, we'll have to go through their overall detailed operating cost and rationalization of operating cost and all that. That can definitely bring in the returns there. And hopefully, over the next maybe around a period of two years or so, it's possible to go to a kind of EBITDA margins of almost around INR300 crores or so on Unichem overall working.

**Pankaj Tibrewal:** Okay, that's helpful. The second question is sir, when I look upon most of the pharma companies, which are listed on the exchanges today, they have a significant US generic piece and that market is going through its own challenges for the last four year or five years. Many of the companies are either exiting, writing off their assets, whatever may be the thing. And here, we go and acquire a US based company, largely US centric company, with giving a premium. Can you help us understand, the rationale of, where the markets are ascribing either a negligible or a negative value?

We are giving a premium over and above the listed price. What is that, so special in Unichem apart from the product portfolio, which is there that, we are paying two and a half times sales on the acquisition cost? Just wanted to understand some thought process, which is there behind it. Thank you.

**Ajit Jain:** So overall assets of the company in the books itself, the assets are almost around INR1,400 crores of Unichem. And if you look at networking capital, there is almost around INR950 crores net working capital, is available. So almost around INR2,500 crores, INR2,600 crores, kind of assets are available with Unichem currently. Of course, their sales are low, but the business expectations next two years are significantly higher because they have put the additional capacity, which can be utilized.

And currently, what we are seeing because of all those disturbances, which are there in US market, it's possible to achieve that good turnover from those kind of businesses. And on the product side, they have almost around 10 product to 12 products. They have very significant market share in US and that can be further scaled up with further cost efficiencies, which we will have to build on Unichem's operations, yes.

- Pankaj Tibrewal:** Okay, I'll follow up in quick. Just wanted to place on record that, somehow we have been negatively surprised by this large capital allocation for a US asset. I hope, we deliver and execute better on this. Thank you.
- Moderator:** Thank you. The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services.
- Tushar Manudhane:** Yes, thanks. Thanks for the opportunity. Sir, just on the product pipeline, at least on Unichems side, if you could share, it could be the good products for next 12 month to 15 months. And secondly, what are the products is suitable, we can do site transfer to Unichem from Ipca given that, Ipca site has regulatory issues. That's my first question.
- Tushar Manudhane:** I'm trying to ask you, if you could share any good product pipeline from Unichems portfolio, which can come up for approval over the next 12 month to 15 months, which can help grow the sales or is it more of a market share gain, from the existing products? And secondly, what are the products...
- Ajit Jain:** Existing products as well as they are going to launch a few more products for which they have already got registration. So they also have a future pipeline for US business. So around 75 [products 0:14:02], ANDA they have filed, 54 are approved, about 40 they are currently marketing. Another 10 product to 12 products, they will market in due course of time.
- Tushar Manudhane:** Right. Any product under development, which could be niche, where you could have more than five players in the market?
- Ajit Jain:** Most of them are all me-too generic products. There are, I don't think anything first to file and such other products. They are all me-too.
- Tushar Manudhane:** And secondly, any products which we can think of transferring from Ipca side to Unichem? [inaudible 0:14:39].
- Ajit Jain:** That possibility is always there and vice versa also. Ipca to Unichem, Unichem to Ipca, anything can happen. Those possibilities are always there in this equation and that is also one of the synergies, we looked at.
- Tushar Manudhane:** And can you give secondly, if you could also share any update on Ipca side from US FDA?
- Ajit Jain:** Nothing, there is status quo. So let us hope, inspection will happen soon and we are through. But as we speak, there is status quo. No development.
- Tushar Manudhane:** If let's say, the inspection happens also and that is successful, then we will have the capacity of Unichem to fill as well as Ipca's facility to fill up so, do we have...
- Ajit Jain:** But Ipca has its own product range and Unichem has their own product range.
- Tushar Manudhane:** Okay, and just lastly, out of this current Unichems business to US, the top 3 or top 5 products business would be how much of the US sales?

**Ajit Jain:** Maybe top 10 products may be contributing nearly 70%-75% of their business. In which product, they have a very good market share and they say, it can be further scaled.

**Tushar Manudhane:** Okay, sir. Thank you.

**Moderator:** Thank you. We have the next question from the line of Chirag Dagli from DSP Mutual Fund. Please go ahead

**Chirag Dagli:** Yes, sir. Thank you for the opportunity. Sir, I understand the rationale of or the intent behind trying to scale up in the US. What I don't get is that, is this, was this absolutely the best deal possible given that the market has been in such a big distress, over the last couple of years?

Could we not have had any other asset to increase our presence in the US? The structure of the deal as well, as in we are providing exit to the promoters, that also and what is the endgame eventually, that structure itself is also slightly inferior versus a clean merger. So just your thoughts on both these aspects. Was it the absolute best deal? Could we not have awaited for a better deal? Because It seems like, while the business will scale up, but maybe there could have been better assets available in the market. Why not just wait till a good deal comes across?

**Pranay Godha:** This is Pranay here. So let me answer that, in one simple sentence that it was better than most of the deals that, had come on our table in the last five years. And there are reasons, the synergies were much more than, what we had seen in the past. Then in addition to that, what we were looking for was obviously a good compliance and credible track record, with available spare capacities and integrated business play, which is very core to Ipca's own business philosophy, in the generic field. When you look at these three matters, there are very few candidates out there that are on the same table.

**Chirag Dagli:** Understood sir. These synergies could this not have been also struck without putting capital in, as business deals rather than a more shareholder kind of a deal?

**Pranay Godha:** No again, it's something that we have tried, but we've generally, let's say, not been, it's not got encouraging results. The simple thing is, again, in the US market space, where there is cut-throat competition, there is very little space for margin layers, in a way. So everybody, if there will be multiple layers through the whole value chain, one cannot remain competitive on a year-on-year basis. And for the kind of products that Ipca will eventually have, when it re-enters into the US space and what Unichem has today, we will always have to remain on our toes and continue to work on, focus on margin improvements every time.

**Chirag Dagli:** Understood. And like Mr. Jain said, he talked about INR300 crores EBITDA in two years from now. On that, we've paid about 10x EBITDA today, Pranay. It seems a bit steep. Is there a much larger game plan beyond that INR300 crores that we achieve in two years? Do you see this entity being like \$400 million, \$500 million in the US? Because beyond that \$300 million, beyond that \$40 million, \$50 million EBITDA, this entity will have to be much larger in the US, for your payouts to happen?

- Pranay Godha:** The aim and the efforts will be put in exactly that direction itself. There is a game plan in place, without getting too much specific, on the exact number or so. We have set ourselves an immediate challenge of achieving the INR300 crores. And once we do that, we will have to continue to work upwards from there on.
- Chirag Dagli:** Understood. And this INR300 crores EBITDA number that you talked about two years out, does that include synergy benefits as well or is this just the way business, is there a large synergy here?
- Pranay Godha:** It does include synergy benefits. Without that, this number would otherwise be a bit of a challenge.
- Chirag Dagli:** Understood. And just the last question, was there a number two, I am imagining that this would have been a well-bid kind of asset, as in a process would have been done and you guys won the process. But what was the number two bid, if you can share?
- Pranay Godha:** I'm not aware of it. I'm so sorry.
- Chirag Dagli:** Okay, sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Prakash Agarwal from Axis Capital. Please go ahead.
- Prakash Agarwal:** Yes, thanks for the opportunity. Good evening. A couple of clarifications. So, the first one is on the, the rationale of the business is to gain the portfolio and the facilities for the exports. If you could just help us understand the Ipca capacity utilization in current facilities as well as the Unichems?
- Ajit Jain:** As far as the facilities, which are in the US currently, their capacity utilizations are very low. Our Pithampur plant is utilized around 30%, Piparia plant maybe around 25% to 30%. So, both the plants' utilizations are low. But once we have US clearance, these capacities will be the smaller and we will have to expand further at existing place only. And capacities of Unichem will also be helpful.
- Prakash Agarwal:** And Unichem currently would be at what capacity, sir?
- Ajit Jain:** Unichem, they have set up recently and commercialized a new facility at Goa, which is Unichem Goa two. Their capacity to utilizations may be around 20% to 30% right now. So, significant capacities are available. And it is much more automated plants with much, very less human interventions practically. Everything, all is recipe based and very good plant.
- Prakash Agarwal:** Okay, understood. And secondly, if you're saying INR300 crores in the next two years, we are talking about fiscal '26, right?
- Ajit Jain:** Once we have management in hand and we start operating things, it's from that time.
- Prakash Agarwal:** Okay, but what is the top line versus we are looking at INR300 crores?



- Ajit Jain:** Overall, it should be able to, let's say, go to almost around INR1,700 crores, INR1,800 crores kind of turnover maybe in two years' time.
- Prakash Agarwal:** Okay. So, but sir, our margins historically, pre-COVID, has been 18% to 20% with COVID, we went all the way to 25%. And now, this year has been an aberration, but we aspire to be again a 20% margin company. Correct me, if I'm wrong. This, after two years, three years, we are still talking about 15% and 18% margin. So, a lot of work to be done and margin dilution in the next three years. So?
- Ajit Jain:** You are talking about Unichem, not Ipca.
- Prakash Agarwal:** No, I'm combining the two, sir. Now, I'm just combining the two, that in the past, you were 20% plus margin and in COVID, you went all the way to 25%, now about 16%, 17% and maybe next year, you'll be back to 18%, 20%. What I'm saying is two years out, you will, Unichem, you are still talking about 18% margin. So, there's a long dilution that will play out in the next two years, three years. Is that correct understanding?
- Ajit Jain:** See, Ipca is also into branded formulation business in India. So, that margin you can't equate with only international business. So, Unichem is a purely a company, which is into generic and API business.
- Prakash Agarwal:** Yes, no, sir that's why the rationale of doing such a large deal in the export market, especially when the margins and return ratios are so low is, what I'm trying to understand. Just for capacities?
- Ajit Jain:** Yes, there are surplus capacities available there, yes. And very good plants, very good asset.
- Management:** Plus Prakash, we are also talking, we are into Australia and New Zealand, we are into Europe, Unichem is not present in those markets. So, technically, whatever products they are today launching, they are registered in the US, we can practically bring most of them also into Australia and New Zealand, Europe. So, that way, we can also increase our product basket, product offering, that will definitely add value to our business.
- Plus, we are also into branded formulation business in 40 odd countries, where thousand odd people are marketing our branded formulation. Unichem also has a lot of registration. They sold their only brands for India and Nepal. So, all brand names, all rights for rest of the market, they are with them only. So, that opportunity is also available for our RoW branded team.
- Prakash Agarwal:** Understood.
- Management:** Whatever other synergies we spoke about US and other things, this is also add on to that.
- Prakash Agarwal:** Okay, perfect. And lastly, on the structure, so after promoter's takeoff 50%, currently only 33.38% has been done as a...?

- Management:** Around 14% odd Dr. Modi family will retain and they will, it is at their will, when they want to sell, they want to keep, it is up to them. But management control post takeover matter completes, will be in the hands of Ipca.
- Prakash Agarwal:** Okay, to start with, it will be part of minority interest and once the open offer concludes, it will be consolded, right?
- Management:** It will be mandatory
- Harish Kamath:** Yes, both open offer and this equation is subject to competition commission approval. Once the commission approval comes, we can acquire equation share from Dr. Modi and balance it is up to the public how much they will offer. So, that is altogether a different thing.
- Prakash Agarwal:** You can acquire the remaining from Dr. Modi? Is that what you said?
- Management:** In the current agreement, there is nothing on that.
- Prakash Agarwal:** Okay, might be a possibility is what you said?
- Harish Kamath:** There is nothing stated in the agreement, not discussed.
- Prakash Agarwal:** Okay, there is no RoFA or nothing like that?
- Management:** No, but in the agreement we are providing, we can increase our stake through preferential route and all that is always open.
- Prakash Agarwal:** Okay, Fair enough.
- Management:** That is we don't get offer, share in the public offer, we can increase our holding through any other means. Including preferential issue.
- Prakash Agarwal:** Okay, so how to get the majority and the management control is what you are trying to say?
- Management:** That is already stated in the SPA.
- Prakash Agarwal:** Right.
- Management:** That will come irrespective of our holding on 33% also, we will get that.
- Prakash Agarwal:** Okay, Thank you, sir and all the best.
- Management:** Yes, thanks Prakash.
- Moderator:** Thank you. The next question is from the line of Nikhil Mathur from HDFC Mutual Fund. Please go ahead.
- Nikhil Mathur:** Hi, sir. Good evening. I just wanted to understand a bit more on the valuation paid for this acquisition. Can you explain a bit in detail, what kind of valuation benchmarks has the company used to evaluate this particular asset? Obviously, on headline numbers, this valuation

is difficult to justify the rationale for this acquisition. Maybe on price-to-book, there is some rationale for this particular acquisition.

But if you are really looking at earnings to justify this particular acquisition, what kind of earnings are you looking at? Is it two years out, three years or five years out? Some color on this will kind of give us some confidence, what kind of profitability, you are envisaging from this business two years, three years, five years out?

**Harish Kamath:** Yes, that Mr. Jain has already explained. On a business of around INR1,800 crores or so crores in second year after, we took management control, the EBITDA should be around INR300 crores. I am talking only Unichem business.

**Nikhil Mathur:** So, just to understand this INR300 crores number a bit better, if I look at the past history of Unichem, let's say in FY '19, FY '20, FY '21, the gross margins for this business were pretty robust at 68%, 69% and 62%, also in one particular year. But still, the company wasn't able to generate positive core EBITDA. So, is it entirely overheads, which have to be normalized in the next two years to achieve this INR300 crores EBITDA or sales growth has to come in to achieve this particular number? So, if you can bridge the INR300 crores number split into how much of this would be sales driven and how much of this can be pulled out from cost rationalization. I think, that will give me [idea 0:29:33]?

**Harish Kamath:** It is three things. One is sales growth. Second thing is operational efficiency improvement through whatever contribution, we can do in increasing their efficiency of API facilities. On [inaudible 0:29:49] synergy, both the three things should play for this number, what we are talking.

**Nikhil Mathur:** Sir, in the first place itself, why are these inefficiencies in this particular business, if you can, at a broad level, kind of help us understand a bit, what is plaguing the broader business?

**Ajit Jain:** The first thing is obvious, the capacity utilization. Second thing is API, whatever, batch sizes and yield and other things. These are the two basic things.

**Nikhil Mathur:** Okay. Sir, to go from INR1,250 odd crores of revenue to INR1,700 crores, INR1,800 crores over the course of two years, this growth seems pretty steep for a business which has only 40 products in the US. Any color on how many launches will be done in this two year period to drive this growth?

**Harish Kamath:** I told they already have 50 plus approval, 40 launches, another 10 products they will launch over the course of time, plus we have also seen their order receipt and order book position and we are confident whatever guidance they have given for at least next financial year, they will achieve.

**Nikhil Mathur:** Okay, okay. And finally, sir, Mr. Jain, you have talked about these assets being pretty good. I think Unichem has had a decent US FDA track record in the past, but what we have seen over the past five years, six years is that the goalposts of FDA have been changing. Certain

companies which seem to have had very good compliance have found themselves in some troubled waters at some point in time.

So what kind of diligence have you done from your end to kind of establish that these assets won't suffer from any US FDA compliance issues in the coming future? Because as far as I remember, I think most of the companies have gone through a cycle of non-compliance, then come out of it. So I just wanted to understand what kind of diligence, what kind of engagement you have done with the promoters of the target to kind of establish that these assets are pretty good.

**Ajit Jain:** So, nobody can ever guarantee what will happen in the future. There is no guarantee of what FDA can do in the future for anyone, for any site on this world. So, other than that, I think we have learnt a lot in the last seven years, eight years, and we have used all of those including some of our, obviously internal and external resources to go through the due diligence, especially on the quality culture and the quality practices, on the on-ground practices of their sites. I think we are generally satisfied and we believe that things will remain very much in control.

**Nikhil Mathur:** Okay. So, the quality system that will be on board, there will be no change done to that quality system or you need to do some...

**Ajit Jain:** Quality systems always have to be updated as per the current requirements. That's why it's called CGMP. So whenever there is a need, wherever there we will see a scope of improvement, we will obviously, every company that has to remain in this space will have to be proactive at least to the best of its intent and expertise.

**Nikhil Mathur:** But you are happy with what will come on board? You are not looking to make much changes to upgrade it as of now? I mean maybe one year, two years out things might change but ...

**Ajit Jain:** As of now as we speak, no, we don't expect to see much changes.

**Nikhil Mathur:** Okay, got it. Thank you so much and all the best.

**Moderator:** Thank you. The next question is from the line of D.R. Rao from ADIA. Please go ahead.

**Prashant Poddar:** Yes. Hello everyone. This is Prashant Poddar from ADIA, Prashant and Rao. Sir, first question is, were there other bidders for this asset as well? Was this a market on the deal or this is a private transaction?

**Pranay Godha:** No, we are not aware of any other deal which they will be talking.

**Prashant Poddar:** Yes, okay. Yes, Mr. Jain, Mr. Godha sir, I think most of the questions have echoed the same sentiment that is, that Ipca's own experience and many other Indian companies' experience in the US market has been bad, Ipca's in the last decade actually and many other Indian companies in the last three, four years. And now there we would be seeing some cyclical improvement. There is some talk about cyclical improvement. We have to yet see the fruits of those. But, I mean, a market which is so dominantly, I would say, positioned for distributors.

So, two concerns there. One is regulatory. I mean, we understand you have learnt a lot, but could that be a risk? And how do you calculate that when you are putting such a large capital allocation in the same market which has hurt your asset returns in the past? And the second one is your own expectation, this INR300 crores EBITDA on an INR1,800 crores turnover. Does this include the US recovery that we are seeing right now which could be cyclical for all you know?

**Ajit Jain:** The way we look at it, where there is adversity, there is a bit of an opportunity. Yes, undoubtedly due to the obvious market pressures, be it from the buying side and or from the supply side from India, there has been quite a few disruption and challenges. And as we see today, prices are getting kind of more rational and stabilized. We believe there is a scope for companies like Unichem and hopefully soon Ipca to make use of this opportunity. And as long as we remain both compliant and competitive, I think we can achieve these kind of numbers.

**Prashant Poddar:** The other question is around this INR1,800 crores kind of turnover. Just the 60 products, assuming what Mr. Kamath said, the 60 products, we assume all of them come through, even then this INR30 crores, INR40 crores per product kind of is quite high. I am not saying it is bad, I mean we take it with both hands, but these numbers are higher than what we have generally observed in Me Too portfolios.

**Harish Kamath:** Sorry, sorry, we are just confused. They are not only in the US, they are also into other markets. They do a lot of formulation business in Brazil. They have some business in the UK. So this INR1,800 crores includes all those businesses. They also have API business. All of them are included in this. It is not only US.

**Prashant Poddar:** So should we assume half of this is US?

**Harish Kamath:** About 60%-65% you can assume. 60% you can assume.

**Prashant Poddar:** So, even then around \$2.5 million is clearly on the higher side. Would you also believe that, that it is on the higher side, that their product portfolio is generally producing higher value per product as such?

**Harish Kamath:** No, today also eight to 10 of their formulations are giving much, much higher than the amount what you are talking. I am speaking only US sales.

**Prashant Poddar:** Okay, and these are not early stages of competition.

**Harish Kamath:** No, no, older generics. And still there is scope for them to grow their market share.

**Prashant Poddar:** So this, just quickly understanding this, as Pranay was explaining that this is an opportunity you can use. Is it, I mean, what kind of recovery you are expecting in this INR300 crores EBITDA performance? Could it be better if, I mean, is it, if the market gets really rational, could it be better than this INR300 crores?

**Pranay Godha:** I would not extend myself that far. Let's hope that it gets better. There is a target we have set for ourselves. We want to head for it. And we are at this moment, you know, doing everything

or thinking through this matter as intensively as possible to achieve it. So I would not, let's say, bet on it right at this very moment.

**Prashant Poddar:** So, Pranay, if we split this into the three businesses, API formulations and the other countries formulations, you know, if you can give us some, because all the discussion has been around the US, if you can specially explain the strengths in the other markets that Unichem brings to the table, other than just the, you know, registrations, are there, you know, sales teams, branded sales teams, which you can boast about in this transaction?

And one more last question there, in terms of profitability, if we look at INR1,700 crores, INR1,800 crores and INR300 crores, it is 16%, 17% kind of margins. US and these other formulations, which one would be the leader of, margin leader in this calculation of yours? So both these questions, please. That's all from my side.

**Pranay Godha:** Other than US, the other biggest segment is their contract manufacturing, which is primarily for European customers. And then there are other markets like Brazil and other emerging markets. The API business is again dominant more in the European space and other, let's call it emerging markets. So, profitability-wise, obviously, after, I would say, strictly as a percentage number, the emerging markets always are, from a percentage basis, more profitable. But from a core number point of view, CMO business and Brazil business is now becoming more profitable than before.

**Prashant Poddar:** CMO and Brazil. Okay. And the CMO has, you know, strategic potential to be growing much larger, is it? Or is it again me too kind of business?

**Pranay Godha:** It is, from a product point of view, yes, it is a me too kind of a business from a potential to grow, obviously, because everybody needs a competent and a reliable supplier. And in that mark, again, Unichem has proved itself, it has great credibility. We know in the past from other competitors how much it was difficult to compete with them on certain projects. So, they have a very good relationship with some of their key clients and they have a very good track record in terms of supply chain.

**Prashant Poddar:** All right. That's all from my side. Thank you very much. All the best.

**Pranay Godha:** Thank you.

**Moderator:** We have the next participant, Mr. Diresh Pathak from WhiteOak Capital with the next question. Please go ahead.

**Diresh Pathak:** Yes, thank you. So, apart from the operating assets, the plants and the filings, is there a non-core asset which you can monetize?

**Ajit Jain:** There is a property in Jogeshwari, which is, it might be around 10 half acres land and all. So, over a period of time, I think that's one possibility exist to monetize. And apart from that, they have almost around, close to almost around INR275 crores locked up in GST because they were following certain method of, let's say, GST refund instead of GST going for rebate. And GST refunds take much longer time compared to GST going for rebate system. So, it's possible

to unlock that kind of cash maybe over a period of one year time. So, that's basically cash available in the balance sheet of almost around INR275 crores. It's possible to take out that entire cash.

**Diresh Pathak:** That will have to be checked even from the government, right?

**Ajit Jain:** Oh, that's basically, normally all exporter goes for rebate system that when you export something, you prepare in, say, GST invoice and pay the GST out of your credit. And once your exports are done, within a period of two months' time, one and a half month, two months' time, you get the refunds. But the GST refund system takes very long time because refund applications, then process and all those kind of, it takes some time more than a year. So, they have a huge amount of money which is lying in GST refund amount on which applications are going or some applications has already gone.

But when we change the method from your refunds to rebate, the cash will start coming out and with existing money which is locked up in refunds, with that coming in over a period of one year time, almost around close to INR250 crores cash can be generated from that change itself. And Jogeshwari property, almost around INR300 crores, broadly, we have not done any kind of valuation right now, but looking at the market and three and a half, half acres of land, that should be the valuation currently. Almost, that's the kind of cash could be available which can be utilized for the business.

**Diresh Pathak:** And sir this INR1,800 crores revenue, this assumes optimum utilization of the current plants plus the plants which are in CWIP, right and the current filings, right?

**Ajit Jain:** Yes, because they have already capitalized their Goa plant, which is the latest capacity they have put up on the foundation site. On CWIP, there is some more asset which is there at Pithampur API plant, which is what around INR100 crores are there. But that plant will have to be reworked out because they have not installed any kind of reactors or some, it's basically building and other assets are ready, but we will have to use all these kind of chemical engineering methods to understand that what kind of rework on their order processing areas to have much better throughput.

**Diresh Pathak:** So to achieve that INR1,800 crores, like another INR500 crores from the extra revenue from the current run rate, you will need to invest in working capital plus some capex. So what is that estimate of extra investment that needs to go into to generate the full INR1,800 crores revenue?

**Ajit Jain:** From Unichem's operation itself, because GST refund itself will be a significant amount which will come out. You don't need any kind of additional cash, rather cash will, we'll have to look into the supply chain to see that what kind of rationalization can be done on more particularly on their entire cash to cash cycle in terms of inventory holdings and in terms of all operations, synchronizing everything. So that part can also bring out some kind of cash from the system.

**Diresh Pathak:** So would you also step up your R&D investments for US now?

**Ajit Jain:** Let's say our strategy policy is very-very clear that we don't want to do a lot of work based on somebody else's API. So all the kind of work that needs to be done is only based on our own API. And therefore, that work is not like say that currently Unichem is spending a large amount of money on R&D. That also will need to be rationalized properly.

So good amount of savings can also be generated from there. Because in an integrated company, it's only the product development which will happen only based on our own internal API and then forward. So it's not that your dozens of NDA needs to be filed and generated and all that because how much competitive you could remain on the outsource API and today when the margins are under pressure [inaudible 0:47:12], operational efficiencies and all that can come only through your own API. So that's the business philosophy will not change here.

**Diresh Pathak:** Okay sir, Thank you.

**Moderator:** The next question is from the line of Ritesh Rathod from Nippon India Mutual Fund. Please go ahead.

**Ritesh Rathod:** Yes. Hi everyone. Can you share what's your future plan on the pending stake post open offer. Would you acquire that stake or would you have any plans in next three years to five years of acquiring or would this entity be kept as a listed entity? Unichem?

**Harish Kamath:** It will be kept as a listed entity. Our SPA is for acquiring 33.38% shareholding plus we are making open offer for 26%. If everything comes in the open offer, my holding will be around 60%.

**Ritesh Rathod:** No, I'm talking post that given many of your past acquisition, you have kept a stake not taken until 100%. So what are your plans over there?

**Harish Kamath:** No, this is a listed public company. In any case, the public holding has to be in excess of 25% to remain listed. So that will continue status.

**Ritesh Rathod:** You don't plan to acquire 100%?

**Harish Kamath:** Currently, there are no such plans.

**Ritesh Rathod:** Just in one of the previous questions, since you're acquiring, planning to acquire 60% at INR1,800 crores. So you're overall, you're just getting a proportionate stake. If I do a full company valuation, it's an INR3,000 crores kind of evaluation, which is coming in somewhere around \$350 million or \$370 million whatever the number and for 50, 60 ANDAs, it's too much.

I think maybe you need to I don't know what benchmark you have taken for this, but it is coming somewhere around \$5 million to \$7 million kind of a range, which is out of range, maybe you can talk about non US, but non US, it's still not, it's just 40%, 60% is still US. So this is on very extreme in terms of valuations when you move at [inaudible 00:49:31] and maybe on the capacity side when you're saying that you have a USFDA approved facility. How many times this facility has been inspected till date by USFDA since it started?



- Harish Kamath:** First of all, you commented 50 ANDA that is not correct. They have about 75 filings plus they also have 78 DMFs for API. And these products can be marketed world over not only necessarily in US. Their focus was on US in UK and Brazil and some other countries. But with our presence in many other markets, there is every scope to commercialize these products in those markets also. So we are not paying just for 50 ANDAs and they also have a lot of other IPs like 78 DMFs for API, which they have developed and filed.
- Ritesh Rathod:** But still the range is very high is what my point is, even at 70 ANDAs or 60 ANDAs, the range, the per ANDA is excess of \$5 million and whatever you want to give for the API, DMF filing. It's above the range is, what my point is. And can you just answer on this one? What's the regulated track record of this Unichem plant? How many times they have till date been inspected? Even the last inspection was somewhere pre-COVID. But since the infection, how many times US FDA has inspected the plants?
- Harish Kamath:** They have multiple plants, not three for API and three for formulation. Out of that two formulation plant and three API plants are US FDA approved. Multiple times, it is inspected. Some plants are new, they got approval recently. And all approvals are definitely pre-COVID only.
- Ritesh Rathod:** And when was the last inspection for all these plants, like formulation...?
- Management:** I said pre-COVID.
- Management:** 2019, 2020. The very last inspection amongst the five sites was in 2020.
- Ritesh Rathod:** And given the formulation plants are the key ones, so how many times, those have got inspected?
- Management:** And again, typically about two times to three times depending on which plant you talking about.
- Ritesh Rathod:** Okay, you should rethink on this given most of the investors, what they are echoing. Yes, that's my final point.
- Moderator:** Thank you. The next question is from the line of Nikhil Mathur from HDFC Mutual Fund. Please go ahead.
- Nikhil Mathur:** Yes, hi. Thank you so much for the follow-up. I just have one quick final question. What is Unichem's position today on the fine, that has been imposed by the European Commission of INR120 crores that is sitting as part of contingent liability? And second part to this question is that, have you been able to de-risk yourself from this particular penalty, if it goes through? So, this penalty also should be taken into consideration, right, when we are talking about the acquisition value?
- Harish Kamath:** This is already considered, while calculating.
- Nikhil Mathur:** No, it is yet to be provided for, right?

- Harish Kamath:** The matter is also yet to be finally settled, still in the court.
- Nikhil Mathur:** But are you working with the worst case scenario here, that entire INR120 crores has to be paid out?
- Harish Kamath:** There is a court procedure going on plus there are several other possibilities and options also.
- Nikhil Mathur:** Okay, understood. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Vaibhav Badjatya from Honesty & Integrity Investments. Please go ahead.
- Vaibhav Badjatya:** Hi, sir. Thanks for providing the opportunity. So as one of the earlier participants highlighted that the margin of Unichem business is actually very good as compared to some of the other US focused players. So, what is the reason, you will attribute this fact to? What are the advantages as Unichem have because of which they are able to generate good gross margin?
- Management:** On their peak products, I believe it's their economies, scale economies and their backward integration. It's a combination of both. And in some cases, it's also because of their, I would say, cost competitiveness in addition to the above.
- Vaibhav Badjatya:** Okay, Got it. And secondly, in terms of because now we will be in charge of things at Unichem, do you plan any significant management changes there in terms of people, who are looking after compliances and any other thing? In marketing or something, do you plan any major management changes or mostly the things will be status quo?
- Management:** Not at all. Whatever the team, in the quality and operation side, they've generally done a good job. Their actions are speaking louder than words, I would say. So, things will more or less, be business as usual.
- Vaibhav Badjatya:** Okay. And, you know, they also have ESOP plan. So, that ESOP will continue as it is or there will be some changes in that ESOP scheme as well?
- Harish Kamath:** No, once the ESOP resolution is passed, it is generally valid for ten years. So you can't change once the scheme is passed by shareholders to the detriment of the ESOP grantees. That you cannot do.
- Vaibhav Badjatya:** Okay, Got it. Understand. And for scaling up to this INR1,800 crores, as you said, will it require any cash infusion in any scenario from Ipca side or it would be...?
- Management:** No, It does not require.
- Vaibhav Badjatya:** And there is no plan as of now to kind of merge Unichem with Ipca, after open offer completion, after we acquire [inaudible 0:55:50]?
- Management:** No, absolutely not. No.
- Vaibhav Badjatya:** Okay. Got it. That's it from my side. I will come back in the queue.

**Moderator:** Thank you. We have the next question from the line of Surya Patra from PhillipCapital. Please go ahead.

**Surya Patra:** Hello. Yes, thanks for this opportunity. Sir, first question is that, see, obviously you have guided that the Unichem business possibly in two years' time, likely to achieve something like INR1,800 crores. But we know that around 70% or slightly more than that of the business for this currently generated is relating to US and Europe. And so we are obviously targeting to achieve certain growth number on that.

But what is the synergetic benefit that, we are targeting for Ipca's portfolio in US business or in US dent? So obviously there will be some thought process and that is, that will be the key rationale behind that acquisition. So can you throw some light about that? What is your thought process about taking Ipca portfolio to US market? And how can you get or Ipca can get complimented by the assets of Unichem?

**Management:** So for some of their core products, even today, we believe they can benefit from Ipca's cost competency in terms of the APIs, for their own raw material consumption. And I'm over here. I'm being a bit optimistic. I do look that our Ratlam facility, will have a positive outcome by the will of God, I would say, in the very near future that, we are trying very hard for that too. So with that assumption in place, we believe, we can be a very good alternative supplier or I would say primary supplier for some of their own raw materials or APIs.

Irrespective of that, even if we do a tech transfer of our technology on their facility, they can get to benefit from the better processes that, we have. Then on the other side, we find some of their APIs have better cost competencies, but not adequate scales, which we think, we can provide very easily within our available facilities. So there is going to be quite a few give and take happening between the two companies, in order to best utilize not just the capacity, but to utilize the cost competencies also.

**Surya Patra:** Okay. Sir is it possible?

**Management:** Yes. And of course, in addition, at the cost of being repetitive, Mr. Kamath had also mentioned that, we are looking upon their already developed products to be extended out, into other regulated markets.

**Surya Patra:** Okay. And sir in terms of the let's say, you have mentioned that, the top ten product is generating almost 75% of the US revenue. And obviously, that means, they are having a kind of a significant cost advantage or something like that in this. That is why in this cost competitive world, they are so successful on those products. So if you can share, what is the level of API integration that they are having, a level of backward integration, to say here for APIs. Are they into intermediaries as well?

**Ajit Jain:** Most of their products are, except a few products, which they are using API from outside, but most of their overall, let's say, your DMFs are from, let's say, stage 2, stage 3, something like that, not too much backward integrated. They are from the key penultimate to the final kind of your API synthesis. So there we can add a lot of values to them in terms of providing further

backward integrations in terms of intermediates and some of the sources replacement can also be possible. Once our facility gets the US approval.

**Moderator:** Sir, sorry to interrupt. You're not very audible. The volume for you has gone low. If you could speak closer to the mic, it would help.

**Ajit Jain:** Yes. So some of the APIs are outsourced. Most of their APIs are basically from their own backward integration site. But most of their synthesis are also from, let's say, from the late stage intermediates and all. Where Ipca can add value in terms of providing them more cost efficient intermediates or something like that. And as Pranay ji has already said that some of the intermediates, some of the APIs which currently outsource is possible to do our track transfers to them and produce our products at their site and create furthermore efficiencies, cost efficiencies for them. So to further maximize the market share.

**Surya Patra:** Sure. So just last one question. You talked a lot about the cost optimization and also what is the ultimate outcome at the EBITDA level over next two year time post integration. So here I am assuming that let's say integration time would be one year and post two years, post that during two year period or in fewer periods that you will be like to achieve this INR300 crores kind of number. But for better confidence on this...

**Ajit Jain:** It could be longer also because pharma being a regulated world, API needs to be done. Device process need to be validated. Then again formulation batches need to be taken. That validations are required. So sometime it will go to around one and a half year. So not all APIs are to be done that way. Key focus API that kind of program can be planned and could be implemented in a period of around one and a half year time.

**Surya Patra:** Yes, exactly Sir. So particularly this was my point. So hence just to have a better confidence about the cost optimization. So if I just comparatively see the cost costing and the income costing, there is a significant difference. So let's say to start with, obviously on the gross margin fund, it could be comparable, but let's say R&D spend itself, it is kind of a 10% of the revenues.

So if you see the other expenses, then that is also significantly higher. So the initial the cost line items that could be of some could see some action from your side and could bring in immediate kind of a saving. So could you share your focuses on that cost optimization during the process of integration? Because otherwise...

**Ajit Jain:** We will have to look into their entire overheads and look into the whole thing and those optimizations will have to be done, because it's not the gross margin, not an issue as far as Unichem is concerned. They have good gross margin, can be further enhanced through further process optimizations and cost reductions and all that kind of things, more particularly on API side, formulation side nothing is possible. Formulation side only you can have higher capacity utilizations and [inaudible 01:03:55] margins.

So that's one. But on API side, a lot of those kind of cost optimizations are possible. But immediate would be your cost rationalization itself. As you rightly said, the R&D cost itself is

very high. There are a lot of other cost, which we will have to go through but once we come in management then only we will be able to look into those kind of things and then work on them. But certainly there are scopes to rationalize those kind of cost.

**Surya Patra:** Even if you are not having 51% stake post this open offer, can you integrate this or consolidate this business into your customers?

**Ajit Jain:** We will have to follow the law of the land on that.

**Surya Patra:** So majority control in the management will not allow you to consolidate?

**Harish Kamath:** Consolidation will happen, whether it is single line consolidation or line by line consolidation. That is the only difference. But consolidation will definitely happen.

**Surya Patra:** Okay. Sure sir. Thank you.

**Harish Kamath:** Thank you.

**Moderator:** Thank you. The next question is from the line of Cyndrella Thomas Carvalho from JM Financial Limited. Please go ahead.

**Cyndrella Carvalho:** Thanks for the opportunity. Can you help us understand? You were talking about integration from an entity perspective as well as the cost process of having backward integration with your filing. So out of the top 10 products, you said 70% is kind of the contribution for the US sales from the top 10 products. How much is backward integration or the possibility?

**Management:** How many of those products there is backward integration for their scope?

**Harish Kamath:** Okay. Ms. Carvalho, just to be clear, you are asking how much of the top 10 products, what is the percentage of backward integration? How many are backward integrated?

**Cyndrella Carvalho:** Correct.

**Harish Kamath:** About 70% of those.

**Cyndrella Carvalho:** 70% of the top 10 which contributes 70%?

**Harish Kamath:** Yes.

**Cyndrella Carvalho:** Okay. And when I look at the nine month performance, the gross margins in the nine months have kind of come off. What should be sustainable?

**Harish Kamath:** You are not audible.

**Cyndrella Carvalho:** Yes, I am saying if I look at the nine month performance of Unichem numbers, we are seeing gross margins closer to 59%. And if I look at their annual run rate, they have been around 66% to 67%. So what should be a sustainable run rate that we should look at? And largely, what has caused this lower gross margins in the nine months if you can help us?

- Harish Kamath:** It is to do with the product mix, that's it. So on a normalized basis, you can presume it will be anywhere between 60% to 65%.
- Cyndrella Carvalho:** And sir, in terms of any USFDA schedules for the CGMP that you might have been aware about for the two formulation and two API facilities for Unichem that you could share with us?
- Harish Kamath:** Again, again, your voice is not audible.
- Pranay Godha:** Are you asking if there is any inspection scheduled in the near future?
- Cyndrella Carvalho:** Yes, for the CGMP.
- Pranay Godha:** Not that we are aware of.
- Cyndrella Carvalho:** And any significant filings that can trigger that inspection from the facility?
- Pranay Godha:** There are filings on a regular basis. I do not know how to categorize them as significant. There is nothing that can be called as a para four for us to file kind of thing. So they are normal filings.
- Harish Kamath:** And there is nothing to trigger inspection. All their facilities are inspected by every regulator of the world and they have all the approvals.
- Cyndrella Carvalho:** Yes, I was trying to understand any CGMP schedule is there or anything.
- Harish Kamath:** No, nothing. There are no issues. There are no schedules.
- Cyndrella Carvalho:** Okay. Okay. And so in terms of the timeline, how should we look at this deal from a consolidated entity?
- Harish Kamath:** See, CCA approval, then open offer. Once open offer is completed, then only we get whatever control we get as per the SBA. So it may be at the best case scenario, maybe four months from now.
- Cyndrella Carvalho:** Okay. Four to six months is a fair understanding. Thank you so much.
- Harish Kamath:** All depends on when CCA approval will come.
- Cyndrella Carvalho:** Okay. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ashish Thavkar from IIFL AMC. Please go ahead.
- Ashish Thavkar:** Yes, thanks for the opportunity. Sir, in the opening comments, you did mention about 16% to 17% growth. So that was for Ipca on an organic basis, right? And then you are guiding for INR1800 crores of revenues for Unichem. Is that a right understanding?
- Harish Kamath:** No, no. Both growth and revenue, he spoke about Unichem only. We have not spoken anything about Ipca guidance in this call. We spoke only about Unichem.

**Ashish Thavkar:** Okay. Fair enough. So INR300 crores EBITDA on an INR1,800 crores top line. yes. So but still two years out, it will still be a sub 10% ROCE business. So what are your plans? Is there a certain mindset that you need to take ROCE and bring it to the company level? Some guidance would help.

**Harish Kamath:** We are also telling there are other synergic benefits available to Ipca also. We can take their products in all other market where they are not currently operating. There is Australia, New Zealand, there is whole of Europe, where we have a very big presence now. So our basket of offering in these markets will increase. They can manufacture and I can market. Both will benefit out of that. Similarly, I can market their branded formulation in the RoW market also.

**Ashish Thavkar:** Okay. Got that. And are there any certain SEZ facilities based out of SEZ for them?

**Management:** Pardon?

**Ashish Thavkar:** SEZ facility. Are there some tax benefits that?

**Management:** No. Now nobody has any tax benefit. Everywhere there is sunset now. There is no tax benefit now.

**Ashish Thavkar:** Okay. Not even Goa, which is the latest one?

**Management:** Nowhere in India for that matter.

**Ashish Thavkar:** Okay. Yes. Fair enough. Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Rahul Jeewani from IIFL. Please go ahead.

**Rahul Jeewani:** Yes, sir. So, sir, can you comment on the availability of management bandwidth for managing this acquisition? And why I ask that question is because if you see on an organic basis as well, we will run several projects across our business. So, be it the 25% that expansion, which we carried out on the India business this year or the capacity expansion, which we are doing at the Ratlam and the Devas API plant of the distribution or the realignment of the distribution network in UK?

So, you already had some of these organic projects ongoing and on top of that, this acquisition, that too for a market, which hasn't been a focal point for you for past eight years. So, how is the management bandwidth, how the management bandwidth will get allocated in terms of integrating this asset?

**Pranay Godha:** From a management bandwidth point of view, thankfully, we can only thank Dr. Modi and his team. They have built an amazing team over there. So, we see practically, no reason to disturb the top management and the lower levels. At the same time, even though from a business point of view, we were not generating any sales, it was pretty obvious for us at least that US will always remain a market, where we have to get back to and enter as fast as possible. It is the largest generic market and more, so for the kind of products Ipca and Unichem are involved in. So, this was only a matter of time for us to enter directly or indirectly, through Unichem.

- Rahul Jeewani:** Okay, but Dr. Modi would not have any say in the game now, given that you also indicated that, once the open offer is through, you will have management control of the business. So, let's say, in terms of the top management of Ipca, how would you allocate the time between the various business segments of yours now?
- Management:** Basically, whatever projects you have talked about, it look after not by, they are supervised by the top management, but otherwise they are handled by the operating team. As far as Unichem is concerned, the team is good. What we need to do is change certain directions, change certain reviews and build certain focus. And on the API front, yes,, our interventions will be larger one and we have the competent team to look after that part, so that more operating efficiencies can be built up in that system. I would say that there Ipca will have to intervene.
- Rahul Jeewani:** Sure sir, and just a few questions on the structuring of the deal. So, would the deal require any approval from shareholders of Ipca?
- Pranay Godha:** No, it does not require.
- Rahul Jeewani:** Okay, and for line by line consolidation, our stake in the entity has to be more than 51% only then it will get consolidated?
- Management:** That is right.
- Rahul Jeewani:** That's it for my side sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Manoj Garg from WhiteOak Capital. Please go ahead.
- Manoj Garg:** Good evening to all of you and thank you very much for taking my question.
- Moderator:** Sir, sorry to interrupt, the line for you is sounding muffled and the volume is low. Sir, if you could please use the handset when you speak.
- Manoj Garg:** Is it better now?
- Moderator:** This is much better. Please go ahead.
- Manoj Garg:** Thank you very much. So, just to understand, I think in your opening remarks you indicated that this deal will be financed through the internal accruals. Does it mean that we don't have to take any debt for this deal?
- Ajit Jain:** Basically, we have a kind of network, so we are utilizing that. And for working capital, we will be utilizing the working capital finances. For buying the shares, you can't have borrowing from banks. For our normal working capital, we will have some borrowings.
- Manoj Garg:** The second thing, while I understand you are given an outlook for the next two years and there are scope and potentials in terms of what we can do with this asset and what it can bring on the table for us. Even, you know, obviously improving the business metrics for Unichem. But when I think from an investor's perspective or even at your perspective, how do you see the



payback period of this acquisition? And I'm thinking of maybe more known assets of INR250 crores, INR300 crores of office building available in Jogeshwari, kind of, you know, refund from the government of India with regard to GST. So let's say that enterprise value of INR2,500 crores, INR2,600 crores, what could be the payback period for us?

**Ajit Jain:** We have talked about a lot of things which Ipca will do with their product range in terms of extending the market reach of those products. And right now, we have not made any of those kind of calculations. So right now, it's difficult to say that what would be the payback. Right now, we have indicated that once we are in the management, what is possible in over a period of two years' time. But as the market extensions and all those things are done, the scenario will further change. So right now, those calculations are not done.

**Manoj Garg:** Sorry to push you just a little further on this, sir. And given the way we have operated the assets in the past with 20% plus kind of ROCE, ROE, do you think that over time, we should expect the similar kind of returns even from these assets also?

**Ajit Jain:** It all depends on what kind of things overall comes out once we do all those kind of integrations and market extensions. So right now, I'm not commenting on that part yet.

**Manoj Garg:** And just a last question, sir. We, at least in the last annual report, there is a CWIP of around INR490 crores. So if I include in the net block of INR900 crores, so the total gross block or total block would be available at around INR1,300 crores, INR1,400 crores kind of numbers.

**Ajit Jain:** Yes, that is correct.

**Manoj Garg:** So on that block, sir, what could be the peak potential revenue which we can generate from these facilities? Obviously, it depends upon the kind of product which you file and all those things. But just as a ballpark number?

**Harish Kamath:** Yes, out of that, the Goa facility just commercialized, Manoj.

**Manoj Garg:** Yes, so, Mr. Kamath, just a question is that what could be the peak potential revenues from all the assets which they have built out and available to us now?

**Ajit Jain:** Practically, it can go up to maybe around INR2,700, INR2,800 crores.

**Manoj Garg:** Oh, okay. Thank you very much and wish you all the best, sir.

**Ajit Jain:** Thank you, thank you, thank you so much.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

**Ajit Jain:** Thank you, thank you all for joining this con call. Thank you.

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