“Kwality Pharmaceuticals Limited

Q1 FY27 Earnings Conference Call”

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MANAGEMENT: **MR. ADITYA ARORA – DIRECTOR AND CHIEF FINANCIAL OFFICER – KWALITY PHARMACEUTICALS LIMITED**

MODERATOR: **MS. SOUMYA – GO INDIA ADVISORS LLP**

Moderator: Ladies and gentlemen, good day and welcome to Kwality Pharmaceuticals Q1 FY27 Earnings Conference Call hosted by Go India Advisors LLP. As a reminder, all participants' lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand over the conference to Ms. Soumya from Go India Advisors LLP. Thank you, and over to you, ma'am.

Soumya: Good evening everyone, and welcome to Q1 FY27 earnings con call of Kwality Pharmaceuticals Limited. We have on call with us Mr. Aditya Arora, Director and CFO. We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks pertaining to the business.

I request the management to take us through the quarterly updates, and post that, we will open the floor for Q&A. Thank you and over to you, sir.

Aditya Arora: Good evening everyone. Welcome to con call of Kwality Pharmaceuticals. Kwality Pharmaceuticals, I will give you a very brief introduction about the total plants and the revenue. Kwality Pharmaceuticals has five operational units which includes biologicals, general facility, oncology, cephalosporin, beta-lactam, and hormone plant, which is the sixth unit, will be commencing by November 2026.

Our total sales revenue expected in FY27 will be plus INR700 crores, and with EBITDA margins between 26% to 27%. We are registering new molecules every quarter-on-quarter and this shows the growth in our revenue in each quarter.

We welcome all your questions, please feel free.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Aryan Mehta from Shravas Capital. Please proceed with your question.

Aryan Mehta: Hi, congratulations on the good sets. I wanted to understand the change in mix for this quarter. So why was onco at 20% kind of down from 26%? So are we guiding, still guiding for 30% by this year or next year? And the 1% revenue from Unit 5 also, so can you throw some light on that?

Aditya Arora: Okay sir. Firstly, oncology will be roughly between 25% to 30% considering the timelines for getting the oncology registrations will be, getting a little delayed. So probably we will have the expected registrations by quarter 4 of FY27. This quarter, in this last two quarters, we got multiple registrations from the general facilities, from MENA region and the LATAM region. Specifically from Mexico and few from Algeria, Morocco, and Tunisia.

Regarding the biological section, Unit 5, the pre-clinical was successfully completed for Erythropoietin. Now we have got the permission to conduct the clinical trials. The clinical trials will probably begin by November or December this year.

Initially, we will finish with the PK/PD study which is the laboratory analysis of the human study, and then finally the clinical closure will be by October or November FY28. So we are likely to commence the Erythropoietin sales in the domestic and international market before end of calendar year '27.

Aryan Mehta: But wouldn't there be some-time between the submission and then the approval and then you can launch, right? So wouldn't that be around 6 months to a year? For Erythropoietin…

Aditya Arora: Indian sales will be, sir, Indian sales will be immediate, sir. And regarding the foreign submissions, we do not have to wait for complete clinical trials. We can begin with the first 4 month study of 40 patients, and we can start submissions of the dossier. So by November or December we will have, at least in the ROW market, 10 to 12 countries the product will already be registered.

Aryan Mehta: Okay, so November, December of 2027, right?

Aditya Arora: Correct sir, correct sir. We have actually already started registering in many countries where the evaluation will begin by next year. So we have already started filing in almost 10 to 12 geographies.

Aryan Mehta: Okay, thanks. I wanted to understand a bit more on our distributors that we work with. So understand we have good visibility from the distributors, that's why we are guiding so aggressively, and we have also stuck to our guidance for this quarter. So we are in markets which are barely growing in single digits, right?

But how are we growing so fast in these end markets? Can this be attributed to our distributors which are like top distributors of that country or is it the quality of products or presence in certain niche products? So I just want to understand what is the right to win and how are we growing so fast?

Aditya Arora: So basically sir, Kwality Pharma is becoming more competitive due to the number of plants which we have in portfolio, and the number of products and the lines. Along with this, all these lines are PIC/S certified, European certified. Along with this, we have a big basket of ready dossiers with bioequivalence studies.

So for example, if we get registrations in highly regulated country, we can use the same dossier in filing across 60 or 70 countries. So the model is very simple that we want to become, masters in the first generic and second generic market.

So we have prepared a big portfolio of those products which are where there is a huge gap in the market between the reference product and the first generic. So we want to, capture that gap and we want to, create a portfolio of at least 200 to 250 products wherein we can do filing across 70-80 countries. And every quarter we are getting at least two or three registrations.

So each registration contributes roughly around 1.5 million or 2 million on yearly sales. And last three quarters we have got almost 60-70 registrations. So as on each quarter we get more registrations, we will be continuously revising the revenue targets.

Aryan Mehta: Okay, that's great. So like basically identified certain niche where there is a gap between the reference product and generics. But how come is it that other companies are not looking at these gaps? I mean, what is our like specialty here? I mean there is a lot of competition, right, in generics?

Aditya Arora: There is actually very less competition, sir. Considering, let's say the LATAM market, there are not many players who are, actively supplying or registering these products. How many plants are Colombian approved, COFEPRIS Mexico approved, European approved with at least 25 or 30 injectable lines? So and those with the ready dossiers as well.

So Kwality ability to prepare dossiers every year is like preparing 60, 70 new product dossiers. So in that case, we become more we get a competitive edge over the others. And it's also because of the involvement of the directors also, sir, and the hard work which we are putting in.

Aryan Mehta: That is great. My final question is what is our relationship with Deepak Bansal and SD Biopharmaceuticals, because I went back there is an, there is a filing and there is an entity called Kaler Biopharma which is promoted by Deepak Bansal and our promoter Ramesh Arora. And there is also some land purchase agreement which was made with Kwality, and that too at some double price or something. So can you throw some light on this entity and what's the current status on this?

Aditya Arora: So basically Deepak Bansal is one of our, business associates who has developed Kwality sales over the European and LATAM markets. And there is an association with him, an understanding wherein there is a European company called Mana Pharma, who has made a lot of investments in Kwality dossiers across various geographies. So that's the kind of relationship which we have.

Plus the SD Pharma is basically an entity of Mana Pharma in India wherein they purchase from Kwality in India and then supplies to various countries like Venezuela, Colombia, Mexico, and all these countries.

Aryan Mehta: Okay, got it. And this entity called Kaler Biopharma, is this still active? And this land purchase agreement is that still on or what happened to that?

Aditya Arora: I don't think it is very active sir, because earlier there was an arrangement wherein Mana Pharma was supposed to, through their representative Deepak Bansal, they wanted to make an investment in India where they wanted to put up a oncology plant, an additional plant wherein Kwality, would have got some stake and they wanted some stake.

And they wanted to manufacture certain niche injectable molecules and export it across various geographies. But I think that plant is on hold as of now. So probably that land is going to be either sold or some other arrangement would be made.

Aryan Mehta: Okay, sir. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Utkarsh Somaiya from Elko Quantum Solutions Private Limited. Please proceed with your question.

Utkarsh Somaiya: Hi, this is Utkarsh from Elko Quantum Solutions. Thank you. You had earlier told us that you are in the process of getting a new global auditor. Can you please throw some light on that?

Aditya Arora: Yes sir. Most probably it is planned for the quarter three or quarter four. KPMG, we have already filed an agreement. So probably in Q3 or Q4 they will be appointed. We are just waiting for the software up-gradations which is to be made so that we will be giving them the data, the kind of data they want in a faster way. So the basic issue is with the software up-gradations and the systems in place that is required. But in any case we will try to do it before the end of this FY27.

Utkarsh Somaiya: Understood. And sir, similar to the guidance you have given in FY27, which is 40% growth, do you think a similar growth rate will continue in FY28?

Aditya Arora: Yes sir. So basically sir, the kind of registrations and the kind of investments we have made across the geographies, with respect to the dossiers and everything, I think we have developed a revenue model wherein we believe by 2030 we can easily reach INR1,500 crores revenue mark. So we are talking about doubling our revenues before end of FY30. So we will see a year-on-year growth of 25% to 30%.

Utkarsh Somaiya: Okay, so base case 25% you all have built in, in your internal projections. And how do we see our EBITDA margins go in FY28, because FY29 you have already told us you will hit 30%. So how will the journey be from 27% in FY27 to 30% in '29?

Aditya Arora: Sir, but you will see a growth in EBITDA margins. I think at INR1,000 crores revenue, the EBITDA should be roughly around 30%. So close to 30% considering that the operating costs will not increase that much. So probably at INR1,000 crores revenue, you will see a 29% to 30% EBITDA margins.

Utkarsh Somaiya: So will it be linear wherein you'll grow 100 basis points per year at least if not more, and thereby reaching 30% in FY29?

Aditya Arora: So sir, it's very much possible. Again, there are certain things which are in control of the Ministry of Health of various countries. So sometimes there is a delay which might affect the sales targets what we have given. But this financial year, we do believe that 100% the sales will cross the INR700 crores or INR720 crores mark. But next financial year I think with the registrations which have been promised, again 25% to 30% could be expected. But you can take 25% as a minimum growth.

Utkarsh Somaiya: Okay. Sir, everything you're telling us sounds really nice. Is there any risk we should be cognizant of, or anything you internally consider a risk and are trying to mitigate?

Aditya Arora: Sir, risk with respect to let's say local regulatory authorities or external regulatory authorities, I don't think there's a risk because everything has been properly validated. We already had like risk-based investigations from CDSCO seven times almost now in last three years. So neither of these investigations where there was any issue.

We have every month, we are facing two external audits from high regulated Russia or Ukraine or Europe or LATAM, every two months we have one or two external audits. So with respect to product, with respect to facilities and with respect to team, we don't have any risk. It is now very important that the directors, they should not get carried away with small successes. I think it is very important for us to stay grounded and keep up with the good work.

Utkarsh Somaiya: Perfect sir. Good luck and best of luck. Thank you.

Aditya Arora: Thank you. Thank you.

Moderator: Thank you. The next question is from the line of Nishita from Sapphire Capital. Please proceed with your question.

Nishita: Yes. Am I audible?

Aditya Arora: Yes, ma'am.

Nishita: Hello?

Moderator: Yes, you are audible.

Nishita: Yes. So you mentioned that every quarter we are registering two to three new products. So do we see this going up and by how much?

Aditya Arora: Okay ma'am, so basically let's say if I take Mexico as an example, we have totally made a submissions of 70 products out of which we just got registration of 18 products to 19 products. All these submissions were made in FY26. So probably we can say maybe next quarter we can get five registrations.

Similar cases with Colombia. We made submissions of 25 products, 30 products, Chile and Algeria and all other parts of MENA region. In fact, the new country which will open for us, because recently we got the certificates and approvals, and we made in last financial year we made almost 12 submissions to 13 submissions in Saudi Arabia.

So Saudi Arabia could also be the next upcoming venue where it will be Saudi and GCC entire, UAE and Oman and all those parts. So probably by end of third quarter we will start seeing the revenues from these countries. But we believe that MENA and GCC region quarter 4 will be the highest percentage followed by the LATAM region.

Nishita: Okay. Okay, understood. So like can we expect like from next quarter, Q2, we'll have each quarter we'll have around four to five products, new products registrations?

Aditya Arora: Yes ma'am, probably six to seven we are expecting.

Nishita: Across all countries.

Aditya Arora: Yes, we're expecting six to seven registrations. Yes.

Nishita: Okay. And my next question is that once we commercialize our biological facility, hormone manufacturing facility, how fast can we ramp it up?

Aditya Arora: Biological or hormone?

Nishita: Hormone, hormone.

Aditya Arora: Ma'am, see, hormone, there are we are again focused on two, three aspects. The first one is the immediate sales wherein only the GMP certificate will be required, and we can commercialize at least in the ROW markets like Iraq or you can say in some tender business in African markets or LATAM markets.

So that, you can say, a INR70 crores to INR80 crores revenue we can generate in FY28. But for Kwality to get the COPPs and complete with the bioequivalent studies of various oral solid and injectable products of hormone, I think by FY29 we can generate a INR200 crores revenue. But immediate sales you can take INR70 crores to INR80 crores in FY28.

Nishita: INR200 crores you said in FY29, right?

Aditya Arora: FY29, correct, correct.

Nishita: Okay, okay, understood. And when do we expect the GMP certificates to like be approved?

Aditya Arora: So ma'am, manufacturing license will be in November. After that, six months stability. So probably in June or July you will expect the GMP. However, in this tender markets and these markets, you do not require the, only manufacturing permission will be enough for us.

Nishita: Okay. Okay, understood. Yes, thank you so much. That's it from my side.

Moderator: Thank you. The next question is from the line of Nirali Shah from Ashika Investment Managers. Please proceed with your question.

Nirali Shah: Hi, thank you for the opportunity. I have three to four questions. So first one is on the BE programs that are underway, the 40 oral solid BE programs. Just wanted to know how should we look at this from a conversion funnel point of view, say over next two years?

Aditya Arora: Ma'am, initially we finished the bioequivalences of six, seven molecules in Q3 of FY26 and two or three in Q4 of FY26. So those will be six or seven molecules can be commercialized before end of FY27, that means Q4 '27 we'll be able to commercialize at least five or six molecules I believe. But if there is a certain delay, then probably in Q1 of FY28.

And the remaining 32 products, they'll probably be finished before November, December, all BE studies will be finished and we'll try to file at least five or six products in this quarter, and six product molecules in next quarter. And probably all submissions will be finished before Q1 of FY28.

So you can expect that let's say we estimated that overall with 40 bioequivalences, probably we can generate a revenue of INR600 crores, INR700 crores by FY29. So next year you can expect

at least INR80 crores to INR100 crores revenue from the BE program. But FY29 will be an immediate jump to at least INR400 crores or INR500 crores revenue.

Nirali Shah: Thank you. The second one is on the Keytruda study. So we did receive CDSCO approval. Can you throw some more light on that?

Aditya Arora: So ma'am, the first step in any cell line development is the R&D part which we already finished. Then we brought the cell line, we did the due diligence of the cell line. We brought it to Kwality side along with the technology transfer. The entire R&D was outsourced. And after that, we made the application to CDSCO and the Gene Modification Authority of India, wherein they evaluate all the R&D data, they evaluate the cell line, their characteristics and everything. Based on that, they give us an approval to conduct the stability batches and pre-clinical.

So that approval we have got. Probably by December this year we will begin with the pre-clinical studies. And March next year we will be able to finish it, the pre-clinical studies. And then subsequently we will start with the clinical batches and clinical trials. Since it is a oncology molecule, probably it will take one, one and a half year to finish the clinical trials.

So before end of calendar year '28, we think we will be able to commercialize this product, considering that end of calendar year '28 the patent is going to get expired. So November...

Nirali Shah: So we will be in the first wave of launch?

Aditya Arora: In the first wave of launch, yes, Kwality will be part of first launch.

Nirali Shah: Fantastic. Next is on the debtor days. So FY26 saw elevated debtor days, and I believe it was because of the geopolitical disruptions. How is the Q1 working capital improving, and do you see any structural improvement coming in the customer payment behaviour or is it primarily inventory led improvement, any colour on that front?

Aditya Arora: I think the debtor days will come down to 165 days or 170 days, but we are trying that in our regular operations, it should be roughly around 155 days to 160 days. So this will be from 208 days it will come down to 165 days, 170 days considering the payment cycle from the specifically from the MENA region and CIS region and GCC part, it is now improving. And we recently got a lot of payments made from this region.

Nirali Shah: Okay. And just lastly, we are focusing more on liposomal and complex injectables, long-acting especially. Where do you see the strongest competitive moat today? Is it the formulation know-how, is it the manufacturing capabilities, regulatory approvals, or customer relationships?

Aditya Arora: So ma'am, right now with the bioequivalence program, we have considered only three injectables. One is liposomal, that is Ampho B. In Ampho B liposomal, Kwality will be second generic.

Then we have considered Octreotide LAR. In I think 70% of the markets Kwality will be the first generic after the Sandostatin leader brand. And then we have considered Leuprolide 45 milligram, this strength particularly, we will be first generic in 75% to 80% of the markets.

All these three BE programs, out of these, the first two, Ampho B and Octreotide, that will finish by April or May. So quarter 1 of '28. And then we'll start submitting, and Leuprolide probably by quarter 2 of FY28.

Nirali Shah: Okay, so where do we see our strongest moat? As Kwality as a brand, what is that strongest moat? Like you mentioned, should I assume that technical know-how is something that, that holds the anchor for Kwality Pharma?

Aditya Arora: I think the ability to, imitate the correct formulation of the reference product is one ability. Because there are sometimes a lot of, in these niche molecules, there are sometimes a lot of challenges with respect to developing them equivalent to the reference product.

And then, now and then having the failure of batches, doing destruction and continuously improving, and I mean putting all the hard work of the R&D Head, Director, and technical people, and then developing this molecule which is equivalent to the reference product and becoming filling that gap in the first generic market. I think that is the key.

Nirali Shah: Fair enough, understood. Thank you and all the best for the future.

Aditya Arora: Thank you.

Moderator: Thank you. The next question is from the line of Abhijeet from Paul Asset. Please proceed with your question.

Abhijeet: Thanks for the opportunity. Am I audible?

Aditya Arora: Yes, sir.

Moderator: Yes, you are audible.

Abhijeet: Yes. So my first question is regarding the gross margin contraction in this quarter on a year-on-year basis. So can you help us understand the reasons behind that? Was it due to a higher raw material cost or a different mix? What was it?

Aditya Arora: I think sir, gross margins have improved from the last quarter. Actually, the last quarter the gross margins were roughly around 56% or 57%. It is now 53%. So probably I think at when the revenues are INR700 crores or INR700-plus crores, it should be between 49% to 51%.

And ideally, it should be considering the BE program and the BE products, along with the niche injectable registrations, it should come down to 47%. So ideal number should be 47%. But because there are still very much, the 35% revenue or 40% revenue is still from the ROW market, so that's why this, the gross margins are less.

Abhijeet: Understood.

Aditya Arora: But it is going to improve, it is going to improve on each quarter.

Abhijeet: Okay. And can you help us understand the raw material pricing trend across the three APIs? So considering the geopolitical issues, are you seeing any cost inflation or any supply pressure from the suppliers?

Aditya Arora: So sir, 80% to 85% of the total procurement of Kwality is from the domestic API, and only 15% is from China. And till now there has not been much disruptions.

Abhijeet: Understood. And again, regarding the working capital. In the last con call, you had mentioned about delayed receivables from the Middle East. So what is the current status? Has the things normalized because again lately there was some disruption? And with revenue scaling to INR160 crores, so what is the current receivables position?

Aditya Arora: So receivables will be, sir, roughly around 165 days to 170 days now. I think if we take probably INR700 crores number, so probably if I see the debtors to be roughly around INR300 crores, so the receivables should be by end of FY27, it should be 165 days.

Abhijeet: Understood. So nearly 40% of the revenue would be in receivables, right?

Aditya Arora: 40%, sir.

Abhijeet: Okay. So will the cash flow remain sufficient enough to fund the capex from internal accruals without taking any additional debt? Because I think you have a multi-year capex plan?

Aditya Arora: So we have actually taken an extended loan. However, we have not utilized it. We have, we are considering if there is any disruption in the cash flow, we might use INR15 crores, INR20 crores, but as of now, there is no such utilization. So right now with the running cash flows we are able to make all these investments.

Because sir, the hormone plant will finish in November, and then the capex of oncology expansion, that will finish by March next year. So after hormone only that the remaining capex of oncology is to be done. And the biological clinical trial study is to happen before by quarter two or quarter three. So we do not require any further capex in biological also. So right now with the current cash flows, hormone can easily be done.

Abhijeet: Okay, so can you give us the breakup of INR195 crores capex that you have mentioned in the investor presentation? So how much are you going to spend?

Aditya Arora: You can say INR70 crores probably in hormone, sir. INR50 crores will be in oncology. I think the bioequivalence will be roughly around INR25 crores to INR30 crores. Working capital will be INR20 crores. And then biosimilar R&D will roughly around INR10 crores, INR15 crores. So we are looking at overall INR185 crores, INR190 crores capex.

Abhijeet: Understood, and the large part of capex should be, would be incurring after FY27?

Aditya Arora: Yes, it will be, it will be almost same, sir. So basically sir, there are three biosimilars. The first biosimilar clinical trial will be almost finishing and then the second will start and then the third will start. So overall in biosimilar clinical trials we require INR150 crores capex. And 150 crores

capex is to be spent between quarter 3 of FY28 to quarter 4 of FY29. So we have almost one and a half to two years.

Abhijeet: Understood. And lastly, in the last con call you had mentioned about the partnership with one Algerian company, I think it was for R&D. So can you share the status of that? And what kind of arrangement you are looking at post commercialization? Will it be any profit sharing or any milestone based mechanism, how is it?

Aditya Arora: So sir, there will be a joint venture kind of a thing wherein there will be a manufacturing plant set up in Algeria which will be a fill-finish plant where the API and the registrations will be from Kwality, and they will do bulk filling of the biosimilar products. The investment in the plant is to be made by the counterpart, and plus for technology transfer, Kwality will begin, will make, get the equity for bringing in the technology and the clinical results and the clinical data of the three molecules.

So basically our investment will be bringing in complete technology of the three, four molecules of biosimilar, and they will make the investment in the plant and jointly will make, we'll register the product and commercialize in entire MENA region. And this arrangement is not only in Algeria, we are almost there to encash it in Mexico and other LATAM countries as well.

Abhijeet: And then what is the timeline for this?

Aditya Arora: So basically sir, the timeline would be much less considering that we do not require initially the clinical data. By after developing the complete dossier without the clinical data, we can make a submission to the ministry and get a permission to take the stability batches in Algeria itself. So it will save a lot of time till the time they will take batches in Algeria, submit for the stability studies. By that time, Kwality will have the clinical data and then we will submit the clinical data. So everything will happen parallelly.

Abhijeet: Understood, that's it from my side. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Manan from Wallfort Fund Management. Please proceed with your question.

Manan: Yes, thank you so much for the opportunity and congratulations to the team. They, you all have done a great work. So sir, just wanted to ask a few questions regarding this. One of the question is that on 21st, PPT, the PPT slide number 21, it says that 500 liter expansion is completed. So, that is one, but on the other side where in the biologic side it says that we are installing 500 liters. So, just wanted an understanding, is it done or we still have to do it?

Aditya Arora: So, basically, right now we got the CDSCO approval for 100 liter only, sir. 500 liter, we didn't, it is already installed and it will be 5 times the capacity. But the CDSCO approval is still to be awaited. So, we are not also hurrying it up because considering that right now we only are taking clinical batches. So, probably once the clinical batches is finished, then we will you know start, you know, getting the -- get the bioreactor registered with CDSCO.

Manan: Okay. Understood. And sir, second question would be that you said we could be doing around INR200 crores from hormone in FY29. But the PPT says potential revenue is INR150. So, can you please explain that part?

Aditya Arora: So, it will be roughly around INR150 crores to INR200 crores, sir, depending upon the registration. But normally, for the investor markets and shareholder market, I give a -- we try to give a number on the lower side so that less of queries come in future.

Manan: Correct, sir. Yes. That makes sense. And sir, just last question would be that in that same 21st number slide it says that -- you know, I mean, you had previously also said that hormone and biologics are not considered in the guidances given. So, sir, it just seems that a lot is going to come in in the future which you have not really guided for much, and biologics itself you said it can do INR400 crores in FY29 and hormone can do about INR150, INR200 in FY29. And our guidance has been of INR1000 crores. So, this can, you know, if everything goes well, in FY29 itself we can do like INR1500 crores and then FY30 can be more, like is my understanding correct, just like if everything goes in a very good, good sense.

Aditya Arora: Your understanding is correct, sir. In INR1000 crores revenue next year, probably close to INR1000 crores revenue, I think the hormones we have not taken into consideration. And in FY, because we believe that if from the registration, don't come on time, then probably hormone revenues will be, you know, will add up and…

Manan: Correct.

Aditya Arora: Will help us in reaching that number. But you're right on this part that if you are looking at FY30, a number of INR1500 crores. So, in that we didn't take the biological and the hormone revenue into consideration. If that comes into play and we get registrations of hormones and biologics on time, I think FY29 we can achieve that number. So, you're right about it.

Manan: Okay. Thank you. And just one last thing will be that even as our revenues from biologics and hormone is going to be maybe more than 40% in the coming future by '29, '30. So, sir, are those margins also close to 30%?

Aditya Arora: No. That -- the margins will definitely increase, sir. But we have not -- we have not taken -- you know, we do not know how many players are going to enter the biological market and what is going to be the -- I mean the price of the product. But we believe that there will be huge profits.

And the market size will increase because when the prices of these biosimilars will after the patent expiry will come down, probably they become into a usage with all the hospitals and everything, the volume will increase but the price will substantially come down. So, we cannot, you know, right now calculate the amount of EBITDAs or margins what we'll have in FY29. But definitely it will be on higher side.

Manan: Yes. Not a problem, but just understanding that, you know, our margin trajectory even for those products is higher than 30. To keep ourselves on a -- overall, level to keep ourselves on 30, this could be more than 30, that's all.

Aditya Arora: Right, sir. It will be more than that.

Manan: Right. All right. Okay. Thank you so much, sir. Thank you so much. All the best for the future. God bless you.

Aditya Arora: Thank you.

Moderator: Thank you. The next question is from the line of Hemaant, an individual investor. Please proceed with your question.

Hemaant: Sir, congratulations on a great report set of numbers and thank you for providing me this opportunity. So, just wanted to ask few things. First thing which I wanted to know is what can be the revenue potential from Unit 5 in FY29?

Aditya Arora: Sir, so basically Erythropoietin will be commercialized in FY28. FY28 initial commercialization if we see from Indian market, I think roughly around again INR80 crores to INR100 crores we can do. In the FY28, we'll do INR80 crores to INR100 crores from Erythropoietin.

But FY29, we see the registrations in the international market for Erythropoietin only. So, that will be again will give a INR200 crores or INR250 crores revenues. But it might postpone to FY30. So, that's why in FY29, we have not taken the international sales of Erythropoietin into consideration. So, that number could be in FY30 also. So, if that comes in FY29, again this would add up to the total sales revenue.

But other biosimilar, we cannot commercialize before end of FY29. FY30 they could generate a huge, a good revenue for Kwality.

Hemaant: So, is it fair to assume sir that INR200 crores to INR250 crores of revenue latest by FY30 from Unit 5, and INR150 crores to INR200 crores of revenue from Unit 6 latest by FY30?

Aditya Arora: So, you're saying, so firstly, FY30, INR250 crores without Pembrolizumab, Keytruda, INR200 crores to INR250 crores is 100% achievable, sir. If Keytruda is registered on the timeline what we are telling, I think then this number could go to a bigger number also. But I really can't explain that number right now.

But it will definitely be on a very higher side. Then, coming to the hormone facility, by FY30, yes, INR200 crores to INR250 crores you can take into consideration.

Hemaant: So, sir, around INR1400 crores of revenue is much likely by FY30, right?

Aditya Arora: 100% right. 100% possible.

Hemaant: And sir, I mean, what is the probability of hitting that INR150 crores to INR200 crores of revenue from Unit 6 in FY20?

Aditya Arora: FY, Unit 6, FY20?

Hemaant: FY29, '29.

Aditya Arora: Sir, see basically if we are -- if the buy equivalences and the registration do not happen on time, then the revenues will be INR60 crores-INR70 crores depending upon what tenders we win, what ROW market we are able to get immediate sales. It will be simply depending upon that. But if the buy -- because in this 40 buy equivalence studies, what we have done for this year, that do not contain the hormonal products.

Next year probably we are going to take -- or from December we are going to take the hormone buy equivalence into consideration once we have the manufacturing license. And once the BE is finished and on their success and on the registration success, it all depends upon whether we will reach INR200 crores or not. That is why in FY20, we do believe that INR200 crores mark will cross. But FY28 or FY29, it cannot be predicted right now.

Hemaant: Okay. So, sir…

Aditya Arora: But of course, we will put our 100% effort. We will put up our 100% effort and we will try that the BE and the registration happen on time.

Hemaant: Okay. So, just to sum it up, INR1000 crores of revenue by FY29 and INR1300 crores to INR1400 crores of revenue by FY30 is very much likely.

Aditya Arora: 200%, sir.

Hemaant: Okay, sir. Okay. Thanks a lot.

Moderator: Thank you. The next question is from the line of Achal Maheshwari from Naredi Investment. Please proceed with your question.

Achal Maheshwari: Hello, sir. Good evening. I just wanted to know if all are -- can you give me a capacity utilization for each unit? How much is the capacity currently being utilized for each of our units?

Aditya Arora: Ma'am, the general facility I think by 75% to 80% has already been utilized and the oncology also the existing facility is again 75% to 80% utilized. Remaining of the units, biologics has not commercialized, cepha and beta I think they are roughly around 20%, 25%. Yes.

So -- but we are making an expansion in the oncology facility. So, once that expansion is completed, again an additional 45% to 50% capacity will be enhanced. Also, there are we are making certain machinery improvements and extending a little area in the general facility as well, which will add at least 20% more to the existing capacity.

Achal Maheshwari: Okay. Thank you so much, sir.

Moderator: Thank you. Ladies and gentlemen, in order to ensure that the management is able to address questions from all the participants in this conference, please restrict your questions to one per participant. Should you have follow-up questions, please rejoin the queue. The next question is from the line of Nishita from Sapphire Capital. Please proceed with your question.

Nishita: Yes. I'm sorry, all my questions have been answered.

Moderator: Thank you. The next question is from the line of Kunal Dube, an individual investor. Please proceed with your question.

Kunal Dube: Hi. Am I audible?

Aditya Arora: Yes, sir.

Kunal Dube: Sir, congratulations on the great set of numbers. I have a couple of questions on the governance front. Last quarter you had mentioned that KPMG would be auditing us. A big four will come into picture and you had specifically named KPMG. So -- but I don't see your statutory auditors have changed and I don't think so they are going to change next 2 years to 3 years also. So, what is the status on that? Is a Big Four or a KPMG kind of auditor coming into picture or not yet?

Aditya Arora: No, sir. Probably before end of this FY or last -- I mean, the last quarter of this financial year will be audited by KPMG. There is no...

Kunal Dube: So, that is aligned, you are trying to say for Q4 by, because if I see your special resolution, it stated your current auditor is there for 5 more years and which got updated last year itself. And you are trying to say now that there will be an EGM, will happen and that...

Aditya Arora: No. There will be an EGM will happen and they it will be appointed.

Kunal Dube: Okay.

Aditya Arora: KPMG will be appointed. And in my last con-call…

Kunal Dube: Okay.

Aditya Arora: Also, I told that in Q3 or Q4, we will do.

Kunal Dube: Okay. So, by Q3 of FY27 you are saying KPMG will come into picture.

Aditya Arora: Correct, sir. Correct.

Kunal Dube: Okay. Fair. So, that was one of the point. And the second question was on the oncology thing. I understand that your oncology, you said INR100 crores of revenue, and you said -- did we do any kind of revenue in this quarter in oncology in the existing plant?

Aditya Arora: Sorry, the revenue from the oncology plant, sir?

Kunal Dube: Yes. Like, you had mentioned in the last con-call, INR100 crore is the estimation for FY27.

Aditya Arora: So, we did INR30 crores -- INR30 crores to INR35 crores in -- I think in this quarter sir. From oncology alone.

Kunal Dube: Okay. And but you are saying your expansion plan on oncology will generate revenue from FY28, you are trying to say, right? Or it will generate some revenue in FY20...

Aditya Arora: Expansion plan. No. Expansion will generate revenue immediately sir, because we will make the submissions to the each of the ministries, even the European ministry, Hungary, we will make the -- the expansion submission we will make there, in INVIMA, Brazil also, Colombia also, that we have made this expansion and please come for the audit. And we don't have to do any, we can use the same registrations and start commercializing immediately.

Kunal Dube: Fair. So, you are saying...

Aditya Arora: It is in the same facility. Its expansion is connected to the same facility.

Kunal Dube: Got it. So, if you say INR100 crores was your FY27 guidance and you have already done INR30 crores, so, you are saying, if I achieve INR100 crores, I should be around more than INR100 crores. Am I correct in my understanding?

Aditya Arora: No, sir. Can you just repeat your question? Sorry.

Kunal Dube: You did INR30 crores in oncology in this quarter.

Aditya Arora: Correct.

Kunal Dube: Your guidance from the last con-call was, oncology will do almost INR100 crores of revenue in FY27.

Aditya Arora: Correct.

Kunal Dube: Okay. So, if I -- it is same, you are maintaining the INR100 crores target.

Aditya Arora: Correct. Also, somebody also asked the same question that.

Kunal Dube: Okay. I came a little late in the queue. I am sorry.

Aditya Arora: No. I understand, sir. We are expecting -- in Q3 and Q4, we are expecting more of generic registration in comparison to the oncology registration. So, probably INR100 crores, INR110 crores will be, you know, achieved from oncology. But you see a more jump in the general facility registration.

Kunal Dube: Okay. Fair. Our last question, if you want to comment on it, you said INR600 crores for FY26 was your guidance. You said INR50 crores-INR70 crores probably on the LATAM thing, if that thing happens. Any clarity after Q1, did you get any update on that? I am sorry if you keep hesitating because I joined late in the queue. I am very sorry about it.

Aditya Arora: No. So, our, you know, target for this year has been revised to INR700 crores plus revenue. And I think, so 35% or 40% will be again from the LATAM region. But the percentage of the generic registration and generic revenue will be more in comparison to the oncology one.

Kunal Dube: Fair. Thank you very much for the opportunity. There are two people who are being very good. One is Vaibhav Sooryavanshi from cricket and other is Kwality Pharma. Keep doing the great work, guys.

Aditya Arora: Thank you, sir. Thank you.

Kunal Dube: Thank you. Thank you very much.

Moderator: Thank you. The next question is from the line of Saurabh Gupta from Financially Free. Please proceed with your question.

Saurabh Gupta: Hi, sir. Am I audible?

Aditya Arora: Yes, sir.

Moderator: Yes, you're audible.

Saurabh Gupta: Sir, thanks for the opportunity, and congratulations for the amazing set of numbers, sir. So, sir, I just have a couple of questions. So, if we see our last con-call, when you have guided, you have excluded revenue from onco and hormone. And similar guidance this quarter. So, what could be the reason that we are excluding onco revenue and hormone revenue from our guidance, sir?

Aditya Arora: No, not onco sir, biological and hormone. From the -- biological…

Saurabh Gupta: Yes. Sorry, sir. Yes, sir, biological and hormone.

Aditya Arora: So, one will be commercialized from next financial year, sir, hormone facility. And biological because since a lot of things are going in clinical trials, so we have taken these two into the major consideration in FY30, not in FY29. We think that hormone if we do not get registrations done up till FY29, we might do it some sales in the ROW market, but that will be less than INR60 crores, INR70 crores or INR80 crores. So, that may or may not add up much to the total revenue mark. So, we have taken these sales into consideration from FY30.

Saurabh Gupta: Okay, sir. Got it, sir. And the second question that I have is, sir, the business is on track, we are doing capex for complex products. So, is there any plan of increasing stake by the promoter through warrant or from open market or any color on that sir? Because it will increase investor confidence to the next level, sir.

Aditya Arora: Probably we'll plan something sir. As of now we had certain money in Q3 of FY26, where we did some purchase from the market, but probably we will plan something. As of now there is no such plan.

Saurabh Gupta: Okay, sir. Got it, sir. Thank you, sir. That's it from my side.

Moderator: Thank you. Ladies and gentlemen, if you wish to ask a question, please press star and one now. The next question is from the line of Subhanu Bangal from 3 Head Capital. Please proceed with your question.

Subhanu Bangal: Yes. Hope I am audible, and great set of numbers. Sir, I have just one question, on FY30 -- suppose we achieve FY30 revenue around INR1500 crore, then what will be our revenue mix?

Aditya Arora: Revenue mix, sir, probably again from the general facility you will have like 40% and that too from the, the LATAM market again we will do 30%, 35%. But this time in FY30, I think the 10% of the sales -- 10% to 15% of the sales should be from the European market. Because the amount of registrations what we are expecting from the European region, they are likely to commercialize in FY28 from FY28. So, 10% to 15% you can expect from Europe.

Again, the remaining mix will remain more or less the same, where 35% will be from the LATAM region, 15%, 20% from the MENA regions, and then GCC of also 10 to 15%. And from FY30 when the Indian market comes into play, once we have the biosimilars clinical trials completion, so India will again be a big sales for quality, starting from the initial wave of, I mean, commercialization of biosimilars.

Subhanu Bangal: Got it. But can you tell me the product wise like how much come from our general products and biosimilar and hormone?

Aditya Arora: Sir, FY30, again hormone products will be INR200 crores, will be roughly around, let's say 15% to 20%. 25% will be from the oncology products. Biosimilar if we are able to get the Keytruda registered, then probably 30%, otherwise it will be 15% from the Erythropoietin. Again, the generic will be the major contributor of 35% to 40%. And then remaining 10%, 15% from beta-lactam and cephalosporin combined.

Subhanu Bangal: Got it. Thank you, sir.

Aditya Arora: Thank you.

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

Aditya Arora: Thank you, everyone. I think, I tried my best to answer all your queries. We will keep on -- you know, we will keep the good work and we will try to keep you posted about Kwality's registrations and new developments. Thank you for joining.

Moderator: Thank you. On behalf of Go India Advisors LLP, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.