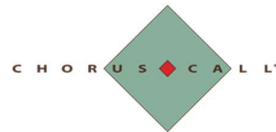




“Lincoln Pharmaceuticals Limited  
Q4 FY '24 Earnings Conference Call”

May 16, 2024



**MANAGEMENT: MR. MUNJAL PATEL - WHOLE TIME DIRECTOR –  
LINCOLN PHARMACEUTICALS LIMITED  
MR. DARSHIT SHAH - CHIEF FINANCIAL OFFICER –  
LINCOLN PHARMACEUTICALS LIMITED  
MS. TRUSHA SHAH - COMPANY SECRETARY AND  
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DSNN, INVESTOR RELATIONS TEAM**

**Moderator:** Ladies and gentlemen, good day and welcome to Q4 and FY24 Earnings Conference Call of Lincoln Pharmaceuticals Limited. As a reminder, all participant lines will be in the listen-only mode and you will be able 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 telephone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Trusha Shah, Company Secretary and Compliance Officer, Lincoln Pharmaceuticals Limited. Thank you and over to you, ma'am.

**Trusha Shah:** Thank you. Good evening everyone. I, on behalf of Lincoln Pharmaceuticals Limited, once again welcome you all to the Q4 and FY24 ended March 2024 Earnings Call of Lincoln Pharmaceuticals Limited. On this call, from the management, we have Mr. Munjal Patel, Whole Time Director, along with Mr. Darshit Shah, Chief Financial Officer and myself, Trusha Shah, Company Secretary and Compliance Officer and our Investor Relations Team. Before we begin the earnings call, I would like to mention that some of the statements made during today's call might be forward-looking in nature. The statements are based on current expectations, forecasts and assumptions that are subject to risk and uncertainties.

I will now hand over the call to Mr. Munjal Patel for his opening remarks. We will then open the forum for question and answer session. Over to you, sir.

**Munjal Patel:** Hello everyone. My name is Munjal Patel. I am a Whole Time Director in the company. I take care of the finance as well as export business in the company and the factory also. So, just to give you a brief of our company, our company started in the year 1979 and gradually we were on the marketing model only at that point of time. In the year 1983-1984, we established our first facility in Naroda.

Gradually we expanded in the state of Gujarat in various areas through the promotion model. Then we moved to the export business in the year 1991-1992 from the African region and in the year 1993-1994, we established our first injectable plant and our Naroda facility was still up and running then. In the year 1995, we planned to make the company listed.

We got it listed and used those against our new facility at that point of time for the tableting block and we established the new tableting block in 1995 and foreclosed the Naroda plant which was a bit older and newer technology was there in the Khatraj site. After this, during the due course of time, every couple of years or every 4-5 years, we have kept on upgrading our documents, our products, our licenses, even the machineries, different avenues which were guided by the WHO to have the CGMP practice which is called the Current Good Manufacturing Practice in our terms, in the pharma term. So, we were following and we have followed till then and till now we are doing that.

Lately, looking to the last 6-7 years, we have entered various potential markets which weren't explored before in which we have even entered and approved by the EU. Now, we have already started exporting the products to Canada as well as now we are in plan with Australia also according to the guideline of TGA since we have the TGA and the EU certificate from Germany.

So, we can do that now and we are looking to invest more into the newer molecules and market the product ourselves into various regions in India as well as in the exporting markets.

We are totally present in 60 countries as of now. In the domestic presence also, we are present in more than 13-15 states and we have a team of around 600 people domestically and in the export we have a team of around more than 30 people who are based in various countries and have their own marketing team. Also, with that, in our factory, we are employing as of now more than 1,400 people with the contractual manufacturers.

So, as a group of Lincoln which we look at, we are employing more than 2,300 people. With that, we have also, during the due course of time, we have established ourselves towards the green energy projects. Firstly, we were invested in the windmills and this current year, we invested into the solar plant. We have put up a four megawatt plant and also the rooftop solar are already present at the factory. With this, it gives us an opportunity to become energy zero. In terms of energy, we won't be paying to the electric board anymore.

During this all period, we have made the company debt-free in terms of loans or any bank-related activities. So, the company is working as a debt-free company since the last 4-5 years and whatever new projects we have done which accumulates to the last 3 years, if we see, we have almost invested more than INR100 crores into various activities, of capex is done by internal approvals only and we have a mindset of still doing that and if opportunity comes, we would be taking a call if needed to get loan but first priority is through internal approvals. We would like to establish our future expansion plans also. Now, if needed, we can go with the question and answer session.

**Moderator:**

Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press \* and 1 on their touch-tone telephone. An operator will take your name and announce your turn in the question queue. Participants are requested to only use handsets while asking a question.

Ladies and gentlemen we will wait for a moment while the question queue assembles. Participants you may press \* and 1 to ask a question.

The first question is from the line of Yogansh from Mittal Analytics. Please go ahead

**Yogansh:**

Hi sir. So thank you for the opportunity and first of all this is a very good initiative of hosting a con call so and I hope the company continues in future. So quickly coming to my questions. If you could broadly help us understand for our domestic and export business how much of it is in our own branded business and how much is through distribution to various countries?

**Management:**

Okay. Looking to that for the domestic market, whatever we are doing is 100% promotion and it is on the base of Lincoln only. And we only are promoting Lincoln products in the domestic market and for the domestic market there are 100% is promoted through the teams. which are present in the various states through the organized structure even from ZSM to the MR, we visit to the doctor and then the prescriptions are generated and then only our products are being sold. So, that is one question for the domestic market.

For the export market, what we have done is we are into B2B business, mostly we were till the year considering till 2021. We were into mostly B2B business wherein we had country managers, but those country managers were based and they were promoting the product but not through an organized structure. So, from 2021, we have started taking up that project and marketing the products in all these regions wherever we are present. So, now we have around 30-35 people roughly on ground in various countries wherein we are promoting the product.

Secondly, on your question, we have product registrations of more than 1500 products plus by now in various countries which includes Africa, Latin America, South East Asia and also part of a bit of GCC. Now, looking to that market, it all belongs to Lincoln, those products. Yes, we have few products which we do on contract manufacturing basis also, but it is vice versa that they market our product also and we help them manufacturing their product also. So, it is a kind of business wherein we can utilize their niche also and they can utilize our niche also. So, that is what is the plan and that is what we are doing as of now.

**Yogansh:** So, sir, I mean export broadly still this after the 2021 change, majority business would still be in other people's brand, but going forward, we would try to bring it up to more into the brand of Lincoln Pharma, right?

**Munjal Patel:** No, you are still getting me wrong. Whatever the business we are doing as of now before '21 also was into Lincoln brands only because we own the registration. We pay the retention fees, we pay the registration fees, we pay the documentation fees, everything is paid by Lincoln and that ownership of those registration, of those molecules is done by Lincoln only. The only aspect is distribution. See, going in a certain country and distributing it is a different model. So, till now, we were not taking the leverage of going to the distributor and telling him to give this product to this partner or that partner or this partner.

That was managed by our distributors who were present in that country. Now, we have taken an initiative wherein we are going to the doctors, whatever we are doing in India, we are doing the same model over there also. We are going to the doctors, we are generating the prescriptions and we are going towards the marketing model of that product to generate more value for the product which was sold before.

**Yogansh:** Got it. Sir. So, instead of just having country managers, we will now have a proper sales team which will be on ground to boost our sales?

**Munjal Patel:** Exactly.

**Yogansh:** Sir, moving to the export opportunity that you mentioned for the countries like Canada and then we have got TGA approval from Australia and then European Union as well. So, what could be the potential of these products in say coming 2, 3, 4 years and also we will continue to supply the LATAM markets and these regulated markets like Canada, Europe and Australia from the same plant and if yes, won't that affect the costing for the LATAM products, so for the LATAM markets?

**Munjal Patel:** In a broader way, as of now, we have commercialized in Canada. Total, we have around, 19 odd products which we have developed to our channel partner. So, we have developed that product

and we are going to export those products to Canada but as and when the registration comes. So, right now, four products have been commercialized already. Now, in a sequential manner, the products will do come in the process. So, now answering to your Canadian LATAM market or any other market, once we get an EU approval, it doesn't matter what it is, we have to follow the guidelines.

So, the cost factor will incur throughout the company. Whatever you are seeing, when we got the EU on the January 20th, from then or before, 8 months before that, whatever was planned, now we have to work in the same way only. We don't have any other criteria. We don't have a second option to go with. So, that's the reason that we have to work with that model wherein we are supplying the goods to Canada or whatever we are seeing, whatever margins you are seeing, it is as per the Canadian norms or any of the EU norms only.

**Yogansh:** Right, sir. That is understood and fair point, sir. But what I wanted to understand, suppose we are making a product in our plant for a market like Canada and Europe, and you know, based on the high standards, regulatory standards that they require us to do, while LATAM market, the unregulated markets, the standards are little lower and hence, there can be some difference in the cost factor. So, a product made in a plant which is as per European standards will probably have a higher cost. So, selling that product to LatAm markets, will that impact our margins or will that not be affected?

**Munjal Patel:** That's what my answer was to you that since 2020 and before 8 months of 2020, when the QP came in and audited our facility, since then we have been maintaining the standards of EU in our plant itself. So, what has happened is that those expenses we have started incurring and still those expenses are in our profitability, which you are looking at.

**Yogansh:** Okay, understood. So, the last three years includes that costing and still we haven't been affected on the margins. So, you think you will be able to maintain it going forward as well?

**Munjal Patel:** Once we have been approved by somebody, then we have to follow the status or the documentation as per them only. We are not able to change those documents.

**Yogansh:** Got it. And sir, on your Cephalosporin plant, what is the update in terms of commercialization? We are expecting INR150 crores over next 2-3 years. So, in FY '25, what is our expectation from this and what kind of margins can this business give us? Is it lower or similar or higher compared to what we are doing at the moment?

**Munjal Patel:** See, regarding Cephalosporin, the plant has already been commercialized. Even the injectable block which we had to put in last, that has also been implemented. We have got the WHO approvals and different country approvals on that side only. And we have even started putting up products into various countries. And now we will see the registrations coming out from that side also.

But looking to the margins and the volumes which we are talking about, we are expecting this year at least to touch around INR55 crores to INR60 crores to INR65 crores of business from that particular factory, that particular unit. So, we are looking at that kind of similar kind of

margins are also pretty decent. We cannot say they are exponentially well because we are still new to this and we are getting more and more.

So, once we are establishing our relationship with those raw materials and the manufacturers of the API, since API plays a major role in this. So, we would of course be getting better margins or similar margins to what we are doing in the business as of now.

- Yogansh:** All right sir, understood. I will get back in the queue and thank you.
- Moderator:** Thank you. Next question is from line of Rohit Suresh from Samatva Investments. Please go ahead.
- Rohit Suresh:** Good evening, sir. Thank you for the opportunity. So, my first question would be on the exports part. If you could give me the split which countries are we exporting right now?
- Munjal Patel** If you say country-wise, I can brief you. But I think it would be better if I can -- if you could even put it up on the email. But mostly, I can say that our biggest business chunk is from the East African region because we have started from there. So East African region is one of the regions wherein we are doing well. Then comes the West African region where we have started later. Then the Latin and then Southeast Asia.
- So this is how we are placed in as of now. Now, Canada and other markets are coming into picture also. So those will gain the value within the coming years and they would be between these list of regions. And if you want an exact number, we can surely email you or if you can email us, we will just revert back to you with the country-wise proportion.
- Rohit Suresh:** I will get back. Sir, just on the Africa part. So last one year, what my understanding is that there was a lot of currency crisis that's going on in Africa. A lot of companies, pharma companies have been impacted because of that. Have you also seen a similar impact because of any currency issues?
- Munjal Patel:** Frankly telling you, yes, there are kind of currency issues in the region. But since we are working with partners for a longer period of time, there are cycles already established and products which we are promoting are also accepted well in the market. So in few countries, the currency issue is probably a bit higher. But wherever we are present, you can get the currency at a bit of a higher rate, but you can get the currency. That's why we were into the B2B model. So the distributors arrange for the payment.
- Rohit Suresh:** Got it. Understood. Sir, my second question would be, so in the investor presentation, you list various therapeutic classes, the mix. So I just want to understand which segments, which therapies per se are you seeing good growth or which therapies are you actually focusing more on? And in the next two, three years, what's your strategy in terms of will there be a particular segment where the growth will be much higher? I just want to understand generally which segments per se you're focusing on.
- Munjal Patel:** See, frankly telling you, the top three segments, which as a company we are looking at is derma, cardiac and diabetic. These are the three sectors which we are looking at. And we are starting

from promotion to even in the export market and even in the domestic market, we are focusing on this. Also in the domestic market, we are focusing towards more on the ENT segment also because of the Tinnex brand, which we have and it has been drastically being accepted throughout the country by the ENTs. And it is accepted by the people also. So these are the four segments which we are trying to focus for now. And then we'll move with the CNS segment, which we are developing the products and down the line, we will come up with that also.

**Rohit Suresh:** Got it. Sir, these segments, derma, cardiac, diabetic, how much will it contribute right now?

**Munjal Patel:** Right now, in terms of the whole business, if you see, whatever we are doing, that contributes to roughly around INR100 crores to INR150 crores of the business, in the overall business, that includes the domestic also and the export also.

**Rohit Suresh:** Got it. Sir, in the next three, four years, would you like to double it? How much do you expect it to grow, these three to four segments?

**Munjal Patel:** I wouldn't say double it, but at least I would say that yes, we would grow it by at least 50% the amount of this. That's what is the target, which we have been taken. And this is a conservative target, which I am giving you. But doubling up is a random word to say. But at least 50% down the line, yes, we will get it and we will achieve that because more products are coming out. See, for exports, you need to have licenses in all the countries. So the more the product comes out, the faster the result will come out.

**Rohit Suresh:** Got it, understood. Sir, in terms of capex, what will be our capex guidance for the next two years, maybe? And how much of that will be through debt internal accruals?

**Munjal Patel:** Till now, for the next two years, this year we have planned roughly a capex of around INR25 crores to INR26 crores. And next year also we will plan around INR30 crores. And everything will be done through internal accruals only.

**Rohit Suresh:** Okay. Sir, just one last question. So aspirationally, you spoke about a lot of -- in terms of exports, there's a lot of potential in new markets. There are certain even new areas in the domestic markets you're targeting. So next three to four years, aspirationally, top line, any number in mind where you would like to be from these current levels right now?

**Munjal Patel:** See, till now, we have minimum to be on the most safest side and the secure side, if I see, I would assume the company to grow by at least 15% to 18% yearly. We can, of course, cross the numbers many a times, but at least to have a statement, yes, we will grow by 15% to 18% yearly. So we are looking at roughly around INR1,000 crores within the next three years, four years, maximum.

**Rohit Suresh:** Got it. Sir, just one last. Sequentially, the margins have been a bit on the lower side. So any one-of or any particular reason for dropping margins?

**Munjal Patel:** The margins, what happens -- I don't see -- as a company, in fact, the margins have not been dropped drastically. In fact, if you see, there is a growth in the margin year-on-year. Even the sales revenue has increased year-on-year. Sometimes some quarter might have happened

wherein there might be an issue with a margin by a small percentage or a few. But we have been making sure that we don't lose on the margin because eventually as a promoter, that's the only thing we have to look for is the margins.

**Rohit Suresh:** Got it. So annually, for FY'25, we can -- so there's no one-offs. On an annualized number, we are on track, right, for FY'25? What we did in FY'24, we can take those numbers a bit of improvement here and there, right?

**Munjal Patel:** Sure.

**Rohit Suresh:** Thank you so much, sir. And thank you so much for answering all the questions.

**Munjal Patel:** Thank You

**Moderator:** Thank you. I request all the participants to kindly restricts to a two question and join us for participation. Next question is from the line of Himanshu Upadhyay from BugleRock PMS. Please go ahead.

**Himanshu Upadhyay:** Yeah, hi. Congratulations on good set of numbers. My first question was what percentage of our portfolio would be in price control?

**Munjal Patel:** I need to be honest enough, we would need to give you a list of it and it won't be a random figure because there are various products which do come under price control and there are various products which do come under different segment also. And so for the domestic business, particularly in terms of price controls, I can answer you that. But roughly, it would be 20% of the products which do come under price control. That's what is the estimated amount. But yes, I can give you product-wise also, but it will be through an email.

**Rohit Suresh:** Okay. And one thing, this cephalosporin plant, what we have started, how big is the injectables unit and how much is the tablet unit or volume?

**Munjal Patel:** If you look at, see in cephalosporin, the basic concept is, it's not like regular pharma, the tonnage are bigger. But in injectables, we can go up to 26 lakh vials a month. And in the tableting section, depends on the size of the tablet, we can go up to 2 to 3 crores tablets and at least 300,000 dry powder and roughly around 1 crores tablets, 1 crores capsules a month.

**Rohit Suresh:** And are we focusing on developed market or emerging markets for this product because what we are...

**Munjal Patel:** Frankly telling you, it's just to start up with, we have put it under the umbrella of the existing markets. So at least we generate the documents, we generate the volume, we generate our procurement cycles, we have good relations with the vendors, this is new. So all that is happening and then yes, we will move forward with the regulated markets also.

**Rohit Suresh:** Okay. And in terms of new product launches, how many were they done in FY '24 and any guidelines for or philosophy what you will be having in FY '25, '26? Any thoughts on that?



- Munjal Patel:** In domestic, we have launched roughly between 20 to 23 products this year. And in the international market, every month or as and when the country sits for the approval of products, we do keep on getting approvals which are already in the pipeline. So we have submitted the dossiers probably in the year 21-22, they are coming out now. So that process is a recurring process which is going on.
- And we have 750 products which are still under registration. Probably now it is more if we look at and for which we have already submitted the registration fees and everything from our established as of now income only.
- Rohit Suresh:** Thank you and I will be join back the queue again.
- Moderator:** Thank you very much. Next question is from the line of Aditya Sen from Robo Capital, please go ahead.
- Aditya Sen:** Hi, thank you for the opportunity. So for the coming FY '25 and FY '26, should we look at the company doing around 20% EBITDA margins? Because that was the range that we operated around in quarter 3, quarter 2. So would that be a fair range to assume?
- Munjal Patel:** That's what is our target also. And we have been managing the expenses as per the margins what you are expecting also around somewhere between 20 to 22. Between 20 to 22, that's what we have been expecting. But if sometimes due to some reason, some situations, the EPIs wherein the key components are there and that instabilizes, then it will instabilize the whole industry. And during that due course of time, we might see a percentage or two here and there. But it would be an industrial change only what you would expect.
- Aditya Sen:** Ok. Thank You. Understood. That's the only my question.
- Moderator:** Thank you. Next question is from the line of Dishant Jain from Quasar Capital Partners. Please go ahead.
- Dishant Jain:** Yes. Thank you for the opportunity. Sir, a few questions. First one, just wanted to confirm that you said that you want to achieve INR1000 crores revenue next three years. If I'm not wrong?
- Munjal Patel:** Yes.
- Dishant Jain:** Okay. That's the first one. And then one second question is on the balance sheet item. So like from the past few years, the loans to others, basically unsecured loans have been increasing. Like on the FY '24, it has been around INR104 crores. So can you please help us understand to whom we are giving these loans and what's the purpose?
- Munjal Patel:** While it's a process now, gradually when we have been investing and we have avenues to invest, then we have been taking calls on investing into like when we had to invest in Cephalosporin unit, we had to invest it gradually and we couldn't even disclose the amount until and unless the or the investment until and unless the whole deal has been given. So we are looking at an opportunity this year also, where we have been want to utilize our own capex and come up with

a growth plan, which will be catered down the line for another three years, because [0:32:35 SIFAP] has already been up and running now. So that's something next, which we have taken.

And yes, there have been loan advances, which are given against that also. And sometimes we do give vendors a support also, wherein we help them and they give us a better, what do you call, price in terms of costing in terms of narrow margin products. So we do that. And those products are such wherein, the value of the product would be bigger, but still the margins would be lesser. So we try and focus more towards that.

**Dishant Jain:** Okay, I got your point on the vendor support. Can you please repeat again on the first part, which you have highlighted for the growth, like, let's say in Cephalosporin plant, you have invested?

**Munjal Patel:** I'm trying to explain is, we have already started looking for another next leap, what we want to take, like Cephalosporin. So we have already identified and we have started the process wherein funds have been given to the person as a first initiative. We haven't gone through the whole process. So it is just an initiation, which we have done. And once everything is being due diligence, and everything has been cleared, then yes, we will come back and we will announce it publicly that what we have been done in that.

**Dishant Jain:** So basically, those loans will be converted into our capex, right? When the opportunity materialize?

**Munjal Patel:** Yes, we are. Otherwise, we won't. We want to grow the company and that's why we are even declaring it. We are doing this kind of loans and advances have been given and those are given for the betterment of the company only. And that's what is our goal. Because today, common goal of Lincoln is now we are presenting to 60 countries. If I just speak on those 60 countries, today I have 17, 18 lines, which I am working on. If I increase these lines to 25, I can easily cross to INR1200 to INR1300 crores easily. I don't need to do any other thing.

So I am now trying to establish more lines. So the same countries are there, same medical representatives are there, my medical, my fixed cost will dilute and I'll have more products to give it to various markets.

**Dishant Jain:** Okay. Thanks for the explanation, sir. And my last question would be on the gross margin. So if you see sequentially or the Y-o-Y basis, the gross margin has been dropped by around 6% to 8%. Is there any specific reason, sir?

**Munjal Patel:** Gross margin if you see year-on-year you are talking about or quarter-on-quarter you are talking about?

**Dishant Jain:** Sir, both. So from quarter-on-quarter as well and the Y-o-Y as well.

**Munjal Patel:** See the quarter-on-quarter if you see there is a growth last year, quarter ended. Margin if you see, it has been the last quarter was 14.80, wherein this quarter it is 12.9, which is I think so 2% less if you see quarter-on-quarter. But if you see year throughout the year, it's hardly 0.27. So it is not, yes, on your question, you are right that it is there, but it is not a significant amount, which has been there.

It is just 0.27. If you see year on years of the year before, then you can compare and see we have started performing better in the fourth quarter compared to the last fourth quarter. So that is what we have started doing and analysing ourselves as a company that we were wrong and how we can improve. So that you can see on the record also, since you have seen the, you can put in quarter of what you call 21-22 also, and you will see the difference in 23-24 and 23-24 also.

**Dishant Jain:** No, so let me be a little specific. So in last quarter of Q4 of FY'23, you have reported 57% of gross margin and this quarter of Q4 FY'24, you have reported 48.3% kind of gross margin.

**Munjal Patel:** So, what you can send us the report, I'll surely go through it and we will give you an answerable reply. But what we have seen as of now, what we have, if you see as a PBT or even any other, if you see EBITDA margin, last quarter compared to last year was, is better in fact. But if you see on quarter on quarter, we have been growing only.

Even then last year also, like 22-23 is there, put 21-22, you will see that it wasn't this good. What you are looking at now. And we can send it to you, you can just email us and we'll surely resolve your query.

**Dishant Jain:** Sure, sir. I'll take this question offline. Thank you for answering all the questions. We wish you all the best. Thank you.

**Moderator:** Thank you. Next question is from the line of Dasaradh from Vrudhi Advisory. Please go ahead.

**Dasaradh:** Thanks for the opportunity. So I have few questions. One is on the cephalosporin plant. At 100% capacity, what is the rough revenue we can generate, sir?

**Munjal Patel:** See, looking to the 100% capacity, we can generate, if it works out, we can generate up to INR220 crores to INR230 crores. But then again, it depends since cephalosporin is a product which is highly valuable. So it, of course, depends on the product itself, that which products are we targeting or even some products are there in the new cephalosporin range. If you see that in India also, people are getting resistance to antibiotics. Basically, cephalosporin is antibiotics. So people are getting more and more resistance to antibiotics.

Now if you see the new antibiotics, the prices are so high that the industry itself, you see that this is a good opportunity and we can easily go to 200 to 220 by running it the whole time. And we have also planned for the second line also in case if we need to put up, we can do that. We have available space for the injectables in that also.

**Dasaradh:** So, what about INR55 crores to INR60 crores which you have guided from this plant, mainly caters to export market or domestic market? Because from our understanding, domestic market in cephalosporin has been very competitive. So is it for the domestic or for exports?

**Munjal Patel:** See, this plant, earlier we were manufacturing the product at a different, somewhere in the northern part of India and we were procuring it from the different vendors. Now we are manufacturing it at our own site for the domestic market. So first, that is an advantage for us.

Second is, yes, export markets, there is a lot of opportunity for this and the products are minimal compared to the existing basket what we have. So the beauty about this business is you have to work on only 15 to 20 products. So if we work on this 15 to 20 products, then the market itself is there and we can promote the product to our own team in the domestic market as well as the export market and we can generate the revenues from there only.

**Dasaradh:** And in domestic market, what are our top three states in terms of revenue contribution, sir?

**Munjal Patel:** I can just...

**Dasaradh:** At least top two?

**Munjal Patel:** Yes, I'll just give you. One would be UP and other is Assam.

**Dasaradh:** Other is Assam. Okay.

**Munjal Patel:** Yes. And the third one, if you want to know, it's Orissa.

**Dasaradh:** Okay. And do we have any plans for US affiliate application in future, sir, in near future?

**Munjal Patel:** See, frankly telling you, this is the loans and advances and all the plans which you are seeing is towards moving towards that line only. So once we get something on it, then we can, yes, we would like to go for USFDA. I won't say USFDA, but I would say yes to many other countries who are as good as USFDA, which we can go in and have the better margin.

**Dasaradh:** Got it. So my last question is on the cyclical nature of the business. The other participant is asking about Q4, but actually look at the history of the company for the last five, six years. There is a little cyclical nature which we can see, quarter four being weakest in terms of top line and margins. Of course, there has been improvement on year on year, every year there has been improvement when you look at the same quarter last year. But is there any specific reason for this seasonality where the fourth quarter is being the weakest in terms of...

**Munjal Patel:** Actually, your analysis is right. There is seasonality in this part of the, particularly this region. Also, sometime what happens is, since the March ending is over, year ending over here in India also, many people wouldn't have the, to carry the stock also.

So they are kind of a bit into a dilemma that whether we should keep the inventory or not and all that. So that's the reason that you see that, the fourth quarter is always down, but we have improved it since year, I think so since last two, three years, we have made sure that, we perform better. And we have analysed that since, I think the last three years, we have got that pulse in the market that, this is what is something wrong, which is happening to us on the fourth quarter.

So we have tried to make sure that we give the positive results and grow the company towards that standard only.

**Dasaradh:** It is more to do with inventory management rather than shipments to some other countries and all that. So it is, it is just because of the financial year end, which may be the, in the domestic market, inventory management is legal on the website.

**Munjal Patel:** That's the only thing, otherwise export business keeps on going the same way. In fact, it is, sometimes it performs better also, because in year end, we are also in a situation where we also want to dispatch more products to attain our business volume. So we all are aggressive in the last quarter.

**Dasaradh:** Got it, sir. Thanks a lot for answering all the questions, sir. All the best for your future.

**Munjal Patel:** Thank you.

**Moderator:** Thank you very much. I request all the participants to kindly restrict to only two question per participants. Next question is from the line of Harshad Bhagwan from ViSolitech Investment Advisors. Please go ahead.

**Harshad Bhagwan:** Yes. My question was answered before. My question was regarding the cyclicity of the nature only of during the March quarter. But I just wanted to ask that, is it regarding the inventory only or like are we facing challenges to the African markets or any other markets during the March quarter?

**Munjal Patel:** In fact, what happens is in any other market except India the financial year closes in December. So what happens is by March they are desperate of the inventory because they try to what you call minimize their inventory in November because December is the year end. And in India, March is the year end. So they do this in India. So there is nothing to do with any of the export markets or any other, it's just an inventory balancing which happens.

**Harshad Bhagwan:** Okay. Thanks for answering my questions and all the best for your future.

**Munjal Patel:** Thank You.

**Moderator:** Thank you very much. Next question is from the line of Ashwin Reddy from Samatva Investments Limited. Please go ahead.

**Ashwin Reddy:** Yeah, great. So firstly, I just wanted to get some more clarity on the domestic market because the market appears to be fairly competitive and when you say that you want to focus on cardiac and diabetic along with Derma, so what are the opportunities that you're seeing and what is your advantage where do you think you'll be able to take or take market share slash build a business in the domestic market?

**Munjal Patel:** Firstly, we were in the domestic market particularly these three segments have been increasing in terms of medication in the industry as a whole also, as the lifestyle of people has changed. So now since the need and the demand of the products itself has increased the market share first thing.

Second thing is we were mostly placed in the Tier 3 before. Now we are targeting towards Tier 2 and few of the Tier 1. So gradually we are picking up that market in the domestic market for now. So this is where we see the growth coming from in the future and with exports as I told you that we have already submitted the documents to many countries, and many of the registrations have come out.

And it's a process wherein it's going to keep on coming out. So and it's a process that we are going to keep on submitting also because every time like we go to a GP or a specialized doctor for cardiac or diabetic, there are new and new drugs which are coming out and the doctor would like to prescribe those drugs to them, what do you call the patient as it is safer and better for the patient also. So that's what is the whole thing about and that's what we want to cater and cover to.

**Ashwin Reddy:** But, okay, got it. But so then in terms of domestic MR, so then the growth would come from increasing your MR, increasing your coverage is that how we can understand the domestic market because right now I believe you have close to 600 MRs?

So how should you think about the MR growth in the domestic market in the next 3 years, 4 years and out of the 1,000 crores which is your acquisition target, how much would the domestic numbers be?

**Munjal Patel:** See what we are looking at is roughly in the domestic market we are looking at an annual increase of roughly 15% to 18% as I told you overall. And regarding MR wise, we will open up more and more states and also as the TLs also be open, from the second to the first one, we will be placing more MRs in the same region also if required and needed.

So you can think that down the line we will have somewhere between 750 MRs, 800 MRs within 2 years.

**Ashwin Reddy:** Okay, got it. Understood. And second question is on the again on the loan front, which was asked before and you did clarify that it is because of the plans that we have. But two points here, sir. One is, we don't see this practice in other companies. So it looks a little different/strange to outsiders. So obviously the questions arise and why this rule? Because if you're not seeing it with other companies and if they're able to manage in a different manner why should we go through this route is one thing. Second, in general, again this is just the feedback from us which is in general loans to promoters is usually seen poorly by the market participants in terms of corporate governance.

**Munjal Patel:** Your voice is breaking a bit I think the phone is a bit closer. So if you can just - we couldn't understand it as it was a bit louder at our end. If you can just repeat the last question, please.

**Ashwin Reddy:** Yes sure. I'll just repeat it. So my question is regarding the loans to the promoter loans and the loans to the other parties. So two points here. One is, we don't see other companies doing the same practice. So they've been able to manage it in a different manner.

So is there a possibility to change and cater to and go back to the industry practices if there is any for this number one? Point number two is, in general loans to promoters is not seen very positively in terms of corporate governance practice by the market participants. So if there is a way to change it and if there is a way to remove this kind of arrangement it will be much appreciated. So that's one feedback which I wanted to give you.

- Munjal Patel:** Sure, we'll take up this as advice from you and we'll make sure that if any kind of changes can be amended and lesser things can be done then we will do that. It's just about disclosing it since we are otherwise we would disclose the names also of who we have been dealing with.
- Ashwin Reddy:** See right now I think it's also like regularity requirement on [inaudible 51:34] also the cash flow statement as well. So there has been loan going out, coming back in all that is there, which is fine. But I'm just saying it is not seen very positively so that's just because again because we speak to people in the market and all then we understand how we can think about it. It's just the feedback which I wanted to give you that's all?
- Munjal Patel:** Sure. We'll keep into mind and we'll talk to our CFOs also with us. So we will take into consideration your point also and make sure that in future we get you more transparent details.
- Ashwin Reddy:** Great. Thank you so much. I appreciate that.
- Moderator:** Thank you very much. Next question is from the land of Mitesh Mehta, individual investor. Please go ahead.
- Mitesh Mehta:** Good evening. Yeah, my question is regarding margins on Q-o-Q basis. Like there was a question from someone wherein management replied that margin is growing on Q-o-Q basis, but as per the results margin is like for March 24 quarter it is 13% percent operating while March 23 it was 15% and March 22 it was 17%. So it looks like you are saying that the material cost in March 23 it was 43% of sales and March 24 it is 52% of sales. So if you can elaborate on same?
- Munjal Patel:** See, the question you are asking is I even couldn't understand especially if it's regarding the bifurcation between the raw material or the material consumption. Then if you can email us and elaborate it better than I would be able to get the perfect detail and then get back to you. Because rough marginal product to product there are variations in the material input. So sometimes material input is higher also and material input is lower also. So it's vice versa, but if you have anything related to the material consumption you can please email us and I'll get back to you on this.
- Mitesh Mehta:** I'm looking at final operating margins also. And it has been reducing on QOQ basis [54:17], YOY basis. Like last March it was 15% operating margin. Just the final margin looks a bit higher because of this other income.
- Darshit Shah:** If you see without other income also, if you see the EBITDA margin, definitely for the quarter 4, there is a reduction of small by 2%. But if you see for the 12 months, current year it is 17.21, whereas the last year it is 17.48. So there is a higher reduction of 0.27. Okay. It does not amounts to a big amount.
- Mitesh Mehta:** Yes, but as per my information or the general market, raw material, especially API prices have been going down, especially compared to last March. So is it a structural or it is just a cyclical kind of thing due to new plant addition?
- Munjal Patel:** I would positive note that being an investor in our company, if we can achieve and produce sales of INR580 crores with a lesser amount of raw material, a lesser amount of value of raw material,

we have marketed our product to so many people that because we are talking about number of tablets and number of injectables or number of dosage forms wherever we are.

So looking to that, if you see, then we have produced more. If you are considering raw material prices going down towards my sales or my margin, if the raw material prices have gone down, then it is only 510 last year if the raw material price was high. If this year raw material prices are low, still my sale is 580, which I have increased by 13.76%. If the raw material has gone down and my sales has increased by 13.76%, then I should have, that is the reason probably you could see a better output in the company also in terms of profit.

**Mitesh Mehta:** Okay. And my second question is regarding debtor days. Is the company working on anything on reducing the debtor days? Because since last three years, it has been gradually moving up, not too much extent, but gradually moving up?

**Munjal Patel:** No. We will, the data who we are as of now, debtor days have gone gradually, we are talking about is hardly from 89 to 101. Sometimes what happens is, if it is March, last quarter, and you see some kind of plus and minuses, but it is not that these have increased drastically. And we keep an eye on it. And there is a government where we make sure that the payment flow coming in also has to be maintained and paying to the vendors also has to be maintained. So both ways we keep our balance on it.

**Mitesh Mehta:** Okay. That's it from my side. Thank you.

**Munjal Patel:** Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, we will take that as a last question. I will now hand the conference over to Mr. Munjal Patel for closing comments.

**Munjal Patel:** Firstly, thanks a lot to everyone for joining and being a part of our company. Speaking to you all, it gives us a positive note that except us also many other people are looking in the company and giving us input. Few of the inputs are really appreciated and few of the questions which we have explained, I hope the investors could understand. And also whenever needed, you can email us. We'll reply you also. If by any chance, if you are in town and if you want to visit and have a factory visit also, we'll be most happy to take you around. And we wish that we keep on performing this way and everyone be happy with our growth story. Thank you.

**Moderator:** Thank you very much. On behalf of Lincoln Pharmaceuticals Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

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