Date: 12th May, 2023

To,
The Manager,
Department of Corporate Services,
BSE Limited
P. J. Towers, Dalal Street,
Fort, Mumbai – 400 001
Scrip Code:533573

To,
The Manager,
Listing Department,
National Stock Exchange of India Ltd.
‘Exchange Plaza’, Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051
NSE Symbol: APLLTD

Dear Sir/Madam,

Sub: Transcript of Post Results Conference Call held on 5th May, 2023

Ref: Our Intimation dated 26th April, 2023

With reference to the captioned matter, please find enclosed herewith the transcript of the Conference Call held on 5th May, 2023.

We request you to kindly take the same on record.

Thanking you,

Yours faithfully,

For Alembic Pharmaceuticals Limited

MANISHA SARAF
Digitally signed by MANISHA SARAF
Date: 2023.05.12 16:50:18 +05'30'

Manisha Saraf
Company Secretary

Encl.: A/a.

"Alembic Pharmaceuticals Limited

Q4 FY '23 and Annual Results Conference Call"

May 05, 2023

MANAGEMENT: **MR. PRANAV AMIN – MANAGING DIRECTOR**
MR. SHAUNAK AMIN – MANAGING DIRECTOR
MR. R.K. BAHETI – DIRECTOR, FINANCE AND CHIEF FINANCIAL OFFICER
MR. MITANHSU SHAH, HEAD-FINANCE
MR. AJAY DESAI, SR.VP-FINANCE

Moderator: Ladies and gentlemen, good day, and welcome to the Alembic Pharmaceuticals Limited Conference Call on discussion on company's Q4 and Annual FY '23 Audited Financial Results. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing start, then zero on a touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. R.K. Baheti, Director of Finance and CFO. Thank you, and over to you, sir.

RK Baheti: Thank you. Good evening, everyone. Thank you all for joining the Fourth Quarter & Annual Results Conference Call.

Let me start with the financials, and there are a few non-recurring or one-offs, which I'll try to explain. And then, of course, we'll take your questions.

During the quarter, the total revenue is Rs.1,406 crores, EBITDA is Rs. 205 crores, net profit is Rs.153 crores. EBITDA margin for the quarter is 14.55%.

For the full year FY '23 revenue is INR 5,653 crores, EBITDA is INR 680 crores and net profit is INR 342 crores.

The Company like in previous few quarters continue to expense out previously amortized R&D expense in erstwhile ALEOR amounting to INR 11 crores in the current quarter and INR 155 crores for full financial year 2023. Company's profit before tax and after tax would have been higher by INR11 crores in the quarter and INR155 crores in FY '23 without this amortization. Now the entire amount has been expensed out and there is no residual intangible assets in the books.

Second item, as intimated to stock exchanges earlier, Company's board has decided to recognize the impairment of INR 1150.43 crores, in respect of capital work in progress, largely consisting of pre-operative expenses of three new manufacturing facilities. Out of above INR 676.87 crores has been written-off in current financial year that is in ’22-’23 and for the balance amount of INR 473.56 crores, provision for impairment has been created. The rationale for this bifurcation has been given in detail, in our notes to account. Simultaneously, INR1,025.66 crores i.e net of deferred tax asset of INR 124.77 crores has been withdrawn from general reserves of the Company, hence there is no impact on profit for the year on this account.

Company is not required to make any provision for income tax during the year. The provision for taxation made up to Q3FY23 has been reversed in Q4FY23.

With effect from 1st of January 2023, Company decided to stop all further capitalization of pre-operative expenses of all the new facilities and charge the entire expenses to P&L account. As compared to the previous quarters, Company debited additional rupees approximately INR 65 crores in Q4 under various heads on this account.

During the quarter/financial year, PLI benefit of INR 21 crores was received from Government of India.

EPS for the quarter before non-recurring item, is at INR 8.33 per share versus INR 8.47 while for FY ‘23 full year, it is INR 25.29 per share versus INR 33.85 per share in the previous year.

The gross borrowing at the consolidated level is INR 636 crores versus INR 630 crores in March 2022. Company has INR 75 crores of cash on hand as of 31 March, 2023 versus INR 61 crores for March 2022. Net debt equity stands comfortably at 0.13.

You will see that from the cash flow point of view, Company's borrowing remains almost the same as of March 2022. There is no incremental borrowing in March 2023 versus March 2022. Company met its entire capex, as well as the dividend payment of almost INR 200 crores out of its internal accruals. The cash flow for the Company continues to remain strong.

I will now request Shaunak to take you through India-branded business.

Shaunak Amin: Yes. Thank you, Mr. Baheti. Good evening, everyone. For the fourth quarter, India branded business saw 9% growth in the top line of INR 490 crores. There was a COVID impact in the base of azithromycin on allied products in the previous years. Ex of Azithral growth, the India business grew at 12%.

As per IMS in Q4, industry grew by 15%, whereas Alembic cloaked the growth of 16%, in line with our objective of matching or outgrowing industry by few points.

In quarter 4, our specialty segments, the company performance was 13% versus 12% for the industry, mainly driven by therapies, gynecology, anti-diabetic, ophthalmology and orthopedics.

In the acute segment, the company performance was 23% growth, and Ex of Azithral was 38% growth, which is better than the industry's 28%.

In respiratory Company grew by 38% whereas Industry grew by 28%

The animal health business continues to maintain, its strong run of growth momentum and recorded a growth of 15% over the previous year.

For the financial year '23, the India branded business has 7% growth with the top line of INR 2,063 crores. Ex of Azithral and Alcibute of India Branded Business growth is 13% for the year.

As per IMS, the industry grew by 8%, versus Alembic reflected a growth of 9%.

For Specialty segment, the company performance was 15% versus industry growth of 11% majorly driven by therapies like Gynecology, Anti-diabetic, Ophthalmology, and Orthopedics.

In the acute segment, the company performance Ex of Azithral was 10% versus the industry growth of 6% for the year.

In respiratory the company grew by 11%, whereas the industry grew by 3%.

The Animal Healthcare recorded a business growth of 21% over the previous year.

And as one of the highlights for last year was we have a brand called Isofit, which has been the second best launch in the Industry by IMS among 3,072 new launches in the Industry for the 12 months. Isofit recorded a growth of INR 28 crores in the first year of launch(as per ORG)

And majority of our focus brands in the current year have gained market share over the previous year.

Three of our large therapy areas, Cardiology, Gastroenterology, and Gynecology have underperformed in the year '23. The operational and strategic interventions were taken in the previous year with an objective of outperforming the market, akin to some of our other high growth segments on a sustainable basis. And we expect this kind of growth to start kicking-in this year.

I'll hand over the discussion to Pranav for his presentation on the international business.

Pranav Amin: Thank you. The US business continues to remain challenging on account of the competitive intensity. Though it was a tough year in the U.S., we did manage to grow our volume well over the previous year. Our focus is on improving efficiencies and execution in the midterm.

The U.S. generic's revenue was INR 354 crores during the quarter. The number is not comparable to the same quarter last year as Q4 of last year had a high sales as we had transitioned to 3PL and we have done overstocking in that quarter.

The ex-US market continues to perform well, and it grew 33% for the quarter and 10% for the year.

The API business also is on a strong footing, and it performed very well. It grew 41% for the quarter and 24% for the year.

Importantly, the ex-US formulation and the API have both come up high base over the last couple of years, so we're confident of a continued good performance in both these verticals.

Our R&D expense was INR136 crores, which includes INR11 crores of a one-time non-cash Aleor write-off. Taking this out, it is INR125 crores, which is about 9% of sales for the quarter. While for the full year, the total R&D expense is INR722 crores. Ex-of Aleor, it is INR567 crores, which is 10% of sales. This is a conscious effort that we've been making to get R&D as percentage and as an absolute amount. We wanted to try controlling it moving forward.

We will continue our efforts to optimize R&D expense, particularly on the oral solid dosages in the coming years.

We filed 4ANDAs during the quarter.

We also received 7 approvals in the quarter

We commercialized F2 and F3 plants during the quarter, and the first set of products were dispatched.

We launched 6 products in the quarter, and in Q1, we hope to launch up to 10 products, at least, and 20 products in the entire year.

The USFDA conducted an inspection at an F3 facility in March and issued two observations. We have received three final approvals from the site till date.

The USFDA also conducted an inspection at a Derma facility in March with zero 483 observations.

An EIR was issued for an onco facility, F2, during the quarter. We have received 5 final approvals from the site, including the onco OSD till date.

The USFDA also inspected our new oral solid dosage facility, F4, in December, and issued five observations. We have received approval of two products from this facility till date.

In terms of the numbers, the US Generics was at INR354 crores for the quarter and INR1,572 crores for the financial year.

The ex-US Generics, as I mentioned, had a good year, and it grew by 33% to INR249 crores in the quarter, and by 10% to INR852 crores for the year.

The API business had a fantastic year. It grew by 41% of the quarter to INR 313 crores, and by 24% to INR1,166 crores for the financial year.

I would like to open this floor for Q&A, so let me start with you.

Moderator: Thank you very much. We have a first question from the line of Damayanti Kerai from HSBC. Please go ahead.

Damayanti Kerai: Hi. Thank you for the opportunity. My first question is to Pranav regarding the US business. So now we are sub-45 million sales in the fourth quarter, and what we have heard from some of the players that price erosion in the US has stabilized, but your commentary seems, I will say, more cautious. Can you share a bit more detail, like where are key challenges from your business perspective and how should we look at this business in coming year?

Pranav Amin: There is still a price erosion in the US market, has it slowed down? Yes, compared to about a year back, it has slowed down. One of the reasons could be because of people are placing less priority in the US business. We have seen some players prioritize US business a little lesser. Number two is that there have been quite a few inspections. So there have been some regulatory issues that some companies have faced, but we do continue to see pricing pressure in the market. I think some of players, the ones that have done well, have got a few handful of approvals which must have offset the price erosion of regular products. But there is still pricing pressure in the market, it's lesser than a year before, but it's still there.

RK Baheti: Also, Damayanti, as Pranav said in his opening statement, this quarter 4 number is not really comparable because previous year, Q4 of March '22, we had an exceptionally big because of transition of 3PL where we had to ask our distributors to stock up and this was explained at that time during the Q4 '22 Investor Calls.

Damayanti Kerai: Sure sir. So in terms of erosion level, are you still facing say like, double digits, if you can like give some indication where it stands…

Pranav Amin: It really depends product-to-product, but yes, I think it's still in the double digits.

Damayanti Kerai: In say, next two quarters to three quarters down from here, how do you see like, pricing to pan out? Any relief, any sign that you see that we'll be seeing better pricing in coming quarters?

Pranav Amin: What happens is as I mentioned before, and historically in the calls I've said, if you see Sartan opportunity and the kind of prices that we were selling the sartans, earlier. Once it gets beaten down to the ground, then there's not much, how much lower can you keep going, right? At some point, hopefully this will start, we've already seen that erosion has become less. There have been more supply challenges in the market for everyone. So hopefully, prices also should stabilize. I believe there will continue to be erosion because fundamentally there's just a lot more capacity for the US market from India than is warranted and that's what's causing this.

Damayanti Kerai: Sure. My second question is R&D. So it seems like, you are tracking in line with what you guided, like you've come down substantially. So now say, if I annualize four quarter R&D number, we are somewhere like INR500 crores, INR525 crores kind of R&D expense for next year. So that's what we should be working with?

Pranav Amin: Yes, I think that's a good number for you guys to work with. Of course, internally there'll be a little change. We'll switch the balance internally, as I mentioned in my opening statement that we may reduce some of the OSD spend and we may increase injectable, we may reduce some fixed costs. But yes, INR 500 crores, INR 525 crores is a good number to work with.

Damayanti Kerai: And how many filings like you target with this kind of lower R&D expense?

Pranav Amin: We'll still target about 15 to 20 filings.

Damayanti Kerai: And my last question is for Baheti sir. Sir, I missed your comment. You said like, you won't be capitalizing any pre-operating costs now and everything will be moving to the P&L. If you can explain that bit, that will be helpful?

RK Baheti: Yes, Damayanti, you heard it right. Up to 31st of December, 2022, we were capitalizing all pre-operative expenses of facility F2, F3 and F4. Now effective from 1st -- while we are charging off the impairment to P&L, there is no rationale for us to keep further capitalizing. So effective 1st of January, 2023, the board has decided that all expenses will be charged off to P&L. And that's how this quarter, quarter of March '23, an additional expense of INR65 crores has hit P&L as compared to the previous quarters.

Damayanti Kerai: Okay, and fourth quarter numbers are now like, should be fair representation of cost we should be seeing in coming quarters without any capitalization?

RK Baheti: Yes, that's right. Other than that INR11 crores, which is a residual expense which we have done out of the old annual R&D amortization. They are also now it is cleaned up, so you won't find that in next quarters.

Damayanti Kerai: Okay sir. That's helpful. Thank you. I'll get back in the queue.

RK Baheti: Thanks.

Moderator: Thank you. We have a next question from the line of Ankush Mahajan from Axis Securities. Please go ahead.

Ankush Mahajan: Yes. Thank you sir for providing me the opportunity. So my question is related to the US business first. So how many molecules that's -- new molecules that we are expecting to launch this year in the US market for FY '24? And sir, we have done a very good numbers in the API business. Just try to understand sir, how is the demand for the API and across the geographies. Let's just put some thought on it.

Pranav Amin: Yes. In terms of US market, as I mentioned earlier, that we will launch about 20-odd products in the financial and FY '24 in the US market. And quarter one will be a little more, but total about 20-25 is what we should look at for the US. Q4 was good for the API business. Very good. For the year, we would expect the API to go about 10%. It is a good market. We have some opportunities. We have some more long term contracts. We could free up some capacities as well. So that's what led to an increase in the API business.

Ankush Mahajan: So earlier sir, these API prices were falling now. So can we say these are stabilized now?

Pranav Amin: It depends. It's tough to say. API prices are falling. It really depends who you're supplying to and what. we're still seeing some erosion in API prices. There were a lot of supply constraints over the last two years. We need China for intermediate, so COVID related. But you will see pricing pressure in API prices. Lot of the growth is not due to pricing. It's due to volume growth.

Ankush Mahajan: So we can say that the volume growth, that uptick is there in terms of volume?

Pranav Amin: Yes.

Ankush Mahajan: And sir, what we are launching now is 20-25 products in the US market. So could you throw some more light on that? In which therapies, which segments that we are looking?

Pranav Amin: For US generics, we don't give therapy wise segments. What will happen as you see when the growth…

Ankush Mahajan: I mean, in terms of injectables, how many injectables?

Pranav Amin: In terms of injectables, out of 20-odd approvals, I'm assuming about 10 to 12 will be oral solid dosage and the rest would be ophthalmic and injectables.

Ankush Mahajan: And pricing scenario any injectables at this moment?

Pranav Amin: It's too early for us. We've just started launching. So it's still early days for us on the injectables. Maybe next quarter we'll have a better track record, I got to say.

Ankush Mahajan: Thank you, sir. Thank you very much.

Moderator: Thank you. We have a next question from the line of Bharat from Equirus. Please go ahead.

Bharat Celly: Yes, hi. Thanks for the opportunity and good evening everyone. So I just wanted to understand on the opex part. So when we look at opex, sequentially ex of R&D, it is declining. Despite the fact that we have seen new facilities getting commercialized and all the pre-operating expenses are hitting the P&L account. So what is it leading to this lower expense sequentially? If you could explain that?

Mitanshu Shah: So Bharat, if you see this and if you're comparing it with the last year, we had a one-time impact of a INR100-odd crores that for the Aleor actually, right? So if you're comparing with that, obviously it will look low,. Otherwise, it is generally a flow of...

Bharat Celly: Actually, I'm comparing over third quarter of FY '23. So if I look at sequentially, it is also down.

Mitanshu Shah: Yes, I was coming to that actually. So if you see the last year it was with Aleor and this time the impact is largely on account of, the marketing spend and all those things. So there is, a bit of the R&D as well is low actually and all of that culminates down to a lower spend. So that's precisely the reason, I mean. Yes.

Bharat Celly: But still, if I look at, right, in first quarter we were doing around INR330 crores. Second quarter was INR340 crores around. And if I just talk from that perspective, now what is happening is in third quarter we are still sitting at around a similar number. I would say INR330 crores, which includes three of the expense of around INR65 crores. So that means overall expenses have gone down, underlying expenses have gone down far below. So I can't get it. Because that will mean that we are around INR265 crores, ex of INR65 crores or INR65 crores, which we are referring to.

Mitanshu Shah: No. So you are comparing this with December's number of INR513-odd crores with INR460-odd crores, right? That's what you are comparing.

Bharat Celly: Right. After excluding for clarity.

Mitanshu Shah: Exactly. That's what I am telling you that, you will see some of those promo spends and, all the other expenditures actually. Those kind of, you will always see a bit of a variation there. I mean, there will be some quarters which are bumped up quarters and then there would be quarters where it is, this time its a little lower actually. So this was one such quarter where we had lower spend.

Bharat Celly: Okay. So is it safe to assume that it will be again going back to the normal levels which we have seen historically?

Mitanshu Shah: Yes. So if you look at the full year number, so your full year number is close to INR 2,000 crores. So on that number, you could and considering that, we had INR60-odd crores of additional expenditure in Q4 for new plants, you can safely consider that, there would be around 10% increase in that number for next year.

Bharat Celly: Right. The Aleor expense will not be repetitive. I get that. But largely we are saying that ex of Aleor, we will be seeing a good growth and another INR60 crores – 40 crores expenses will be also, sorry, INR180 crores sort of expenses will also be hitting other expenses considering because of new plants expenses. Right?

Mitanshu Shah: Correct.

Bharat Celly: That's helpful. And on the US market, we have been referring that we will be launching a couple of new drugs. Could you tell us that how many new injectable products have been filed till date out of all the facilities which we have?

Mitanshu Shah: Bharat, you want to know the filings actually, right? So around the most the plants put together is close to 15 filings.

Bharat Celly: One-five filing?

Pranav Amin: One five.

Bharat Celly: Okay. 15 injectables are filed till date. So overall pending approvals are around 40, 45 for us at this moment?

Pranav Amin: No. Overall pending approvals are around 90.

Bharat Celly: Pending ones, right?

RK Baheti: Pending. Yes.

Bharat Celly: That's helpful. Thanks a lot sir. I will get back to the queue.

Moderator: Thank you. We have a next question from the line of Tushar Manudhane from Motilal Oswal. Please go ahead.

Tushar Manudhane: Thanks for the opportunity. Considering the number of launches comprising both oral solid as well as injectables, what kind of sales can we expect in the US for FY '24, from current $180 million, $200 million?

Pranav Amin: Tushar, we don't give a forward guidance. And for the US is very tough and I'll tell you why is, let's see how the launches happen as early days for us on the injectables. We would like to go to business, but the other side, what I answered earlier to Damayanti is, that there's a lot of erosion as well. Right. So it's very tough for me to predict and that's why we don't give a guidance for US sales.

Tushar Manudhane: But while price erosion are there, but at the same time compliance issues for competitors or somebody shutting, literally shutting down the plant. So we don't see the opportunity…

Pranav Amin: I believe there are opportunities in the US market and you continue to get opportunities and you have to be a nimble player, but to put a number on it is tough. So I wouldn't like to give a forward guidance.

Tushar Manudhane: All right. And in particularly in API, just one more question. Why you address that it is most of the growth is volume-led there? INR300 crores sort of a run rate is very much possible or there is a further scope on account of this significant volume uptake?

Pranav Amin: That's the API business is a good business and it will continue to grow. So expect API and ex-US, rest of the world generics, I think both should grow by 10% at least this year.

Tushar Manudhane: Okay, sir. Thank you.

Pranav Amin: Thanks.

Moderator: Thank you. We have our next question from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: Hello. Good evening, sir. And thank you so much for taking my question. So I just wanted to ask about what do we feel our margins will be around going forward for the next year?

Mitanshu Shah: Darshil, margins of course would be in bit of pressure considering that we would have all the new plants now commercialized actually. The run rate of that is close to INR 60-odd crores every quarter actually. So that would have and -- but again, again, you will have sales coming in from this. So it's going to play out over the quarters. But if we are to take a guess, I would say that a number around 15% would be a right number to go with.

Darshil Jhaveri: Sorry. There was a network issue. I missed the last question. Sorry.

Mitanshu Shah: In the interest of everybody, we can take that offline. We'll discuss.

Darshil Jhaveri: Okay. And sir, I have one more question. So I understand your sales would be a bit difficult to guide on. But overall, how much do we could see a range of revenue growth that we could expect in the upcoming few years? Maybe nothing specific, but some kind of color with that would be helpful.

Mitanshu Shah: see like, domestic, we said that, not giving the number, but, we will outsmart the industry growth rate. As far as international generics is concerned, US is, we would have very good launches coming in actually. And so that would be growth as far as US territory is concerned. ex of US, other generics, we should grow at around 10%-12%. API business, 10%-12% of growth is possible.

Darshil Jhaveri: Okay. Thank you so much. That helps me a lot. All the best for the next quarter.

Moderator: Thank you. We have a question from the line of Bino Pathiparampil from Elara Capital. Please go ahead.

Bino Pathiparampil: Good evening. You have mentioned that you have taken a write back of tax in Q4, is that related to the write-off of assets?

Mitanshu Shah: Yes. That's true. whatever provision which was done in the first three quarters gets written-back in quarter 4.

Bino Pathiparampil: Okay. And are there any more deferred tax assets related to this that you are carrying forward into FY '24?

RK Baheti: The balance of INR 470-odd crores of impairment for which the provision has been done, depending on how the generic market behaves and how the impairment valuation will be at that time, if required will be written-off in FY '24. Then those plants, those part of the facilities gets operational.

Bino Pathiparampil: Understood...

RK Baheti: Impairment of INR1,150 crores, as I explained INR670-odd crores have been charged-off in the current year ,we have made full provision so that no further hit comes on P&L of subsequent years.

Bino Pathiparampil: Understood. So basically, if the remaining write-off also happens in FY '24, then that tax benefit could come in FY '24. So FY '24 tax rates could also be very low.

RK Baheti: Yes.

Bino Pathiparampil: Okay. And FY '25 onwards, what sort of reported tax rates should be -- should we come to, should we will we go back to around 25%?

Mitanshu Shah: So we will continue. See, before this, we were in amity. So you can safely assume for your calculation purposes that we will be in match, which is 17.5%.

Bino Pathiparampil: Okay. Got it. Thank you.

Moderator: Thank you. We have our next question from the line of Tarang Agrawal from Old Bridge Capital. Please go ahead.

Tarang Agrawal: Hi, just wanted to check a couple of things. One, how should we look at your capex from FY '24 onwards? And second, given that INR65 crores is the additional quarterly hit that we've seen. So would it imply about INR240 crores to INR250 crores of additional annual hit on the P&L because of the new facilities?

RK Baheti: So as we have been sharing with investors, most of the capex, most of the new projects are now completed and we are commercializing it. So capex in '23-24 largely which is in de-bottlenecking or little bit of expansion of API capacities. We are also investing in some solar power so that electricity cost goes down because in Gujarat it is pretty high and there will be some investments in new facility for India branded business, which is at an initial stage.

But having said all this, the capex and of course there will be no pre-op capitalization, the total capex should be less than INR250 crores.

Tarang Agrawal: Okay. And to my second question?

RK Baheti: What is that?

Tarang Agrawal: Would we see an additional hit of about INR250 crores to INR260 crores?

RK Baheti: Yes, that's right. I mean, that's not a result of some normal routine expenses which will get charged to P&L.

Tarang Agrawal: Okay. That's it. Thank you.

Moderator: Thank you. We have a next question from the line of Bharat from Equirus. Please go ahead.

Bharat Celly: Thanks for the follow-up. Baheti Sir, actually during the last quarter we were referring that there is total INR400 crores expense, INR200 crores above EBITDA and INR200 crores below EBITDA. Now since we are referring INR65 crores above EBITDA, that translates to almost like INR250 crores to INR260 crores. So is there any incremental cost which we have realized now? So because earlier we were guiding for almost like INR180 crores to INR200 crores above EBITDA?

RK Baheti: As these facilities gets operational, the operating expenses also goes up as they get into commercial production. So earlier these facilities are being used only for taking exhibit batches and for taking those filings. Now they are being used for regular commercial production.

Bharat Celly: So from here on whatever the increase would be, that will be largely the inflationary one. Or there will be some INR600 crores which is sitting as CWIP. So would be any additional increase also which can happen over and above once those are commercialized?

Mitanshu Shah No. So that would be very incremental, small capex, which is just a balancing equipment. So that number stays there actually.

Pranav Amin: But what would happen is as you start commercializing, so you are not doing any major capexes or big plants. I think just in the line there will be balancing media higher equipment size and stuff for commercial basis. That's about it.

Bharat Celly: Okay, I get that. And since we were referring that there will be another INR200 crores which will be coming below EBITDA. So with new impairment which we have done, what sort of number that will be now?

Mitanshu Shah: Yes, so the number would be like you know cash would be around INR200 crores, INR220 crores and depreciation would be another INR75-odd crores actually. So all put together would be around between INR280 crores, INR290 crores for these new plants.

Bharat Celly: Can I beg your pardon? So you said INR200 crores…

Mitanshu Shah: Cash expense would be between INR200 crores, INR220 crores and there would be additional depreciation of around INR75 crores. That would take the total number to INR280 crores.

Bharat Celly: Okay. So -- but my belief was we were already doing INR65 crores during this quarter. That was above EBITDA? Or that is across our line item.

Mitanshu Shah: Bharat that is exactly what has happened. This -- I mean, arrangement that we have done with CWIP takes care of the depreciation on the preoperative and that's like INR100 crores of the depreciation FBO.

Bharat Celly: I get that. What I'm asking is the INR65 crores, which we have charged to the P&L during this quarter, is that a spread across above EBITDA and as well as below EBITDA...

Mitanshu Shah: Depreciation portion into it, yes.

Moderator: Thank you. We have a next question from the line of Resham Jain from DSP Mutual Fund. Please go ahead.

Resham Jain: Good evening. Just a question on the margins. You mentioned 15% margin for the full year. Is that right?

Mitanshu Shah: Yes, that's what the ball mark numbers.

Resham Jain: And how will this trajectory be because you have multiple launches maybe in the first half and we'll scale up in second half. So do you feel -- what do you expect the exit date would be?

Mitanshu Shah: can you repeat that?

Resham Jain: What I was asking is that 15% is a full year margin. So how the margin trajectory will be? Because first half, you will have multiple launches and they scale up as year progresses. So how will the exit run rate of margins be?

Mitanshu Shah: We're talking about year as a whole. I mean, not by setting that into quarters, actually. I mean, it's overall -- and again, I mean, it's just giving a flavor for the year.

Resham Jain: Okay. Because if you look at before your certain benefits, the kind of margins you were making and now once the plant scales up, so that was the context. But even after scale up, you don't see the exit run rate would be better than what you would be doing, let's say, first half -- that was the context in which I was asking this

Mitanshu Shah: See, that's exactly because we will not be completely putting intact because if you look at the grid and the approval of the products and things like that, you are going to partially keep using the plan, gradual scale up is going to happen. So you will have five, seven products. Then in the second half, you will scale it up to 10 products. FY '25, you will have 25 products like that. So that's our...

Pranav Amin: So one thing is the plants while we start using them, they're not fully optimally utilized. They'll take a year or two till all new approvals come. Second thing is, even before the start-ins, you know, what's happened is the fundamental US business that we had, the margins have come down in that.

And that is impactful. So even before the start-ins, the margins in the U.S. business for the OSD were much higher. They were continually shortages and they're very high margins in the US business that time as well. So that's the fundamental part that has changed. The rest of the business, India is growing, ROW is growing, but it's just the US that's dragged down the margins.

Moderator: Thank you. We have a next question from the line of Damayanti Kerai from HSBC. Please go ahead.

Damayanti Kerai: So I have two questions on India business. So you mentioned that you continue to outperform the market. Can you talk a bit about the growth drivers? Like what are your expectations in terms of volume or price contribution from the new product introduction, etcetera?

Shaunak Amin: What we maintain is that if the market grows, whatever the market growth is, we aspire to grow a couple of points higher than the market growth numbers, and which would be a composite of all of new launches, some price increases, some time volume would be a bulk effect.

It also is depending on the profile of the market growth. But yes, anywhere from matching market growth to maybe you're going up 4, 5 points higher than the market growth. I mean that is what we are working towards.

Damayanti Kerai: Sure. So if I understand correctly, volume part will be obviously following the market trends, etcetera. But should we assume the pricing contribution around 5%, 7%, which we generally see a...

Shaunak Amin: Yes. Like I said, I don't have the exact breakup offhand, but I just can share that with you. But I think volume would be a bulk of the growth numbers and there will be smaller components of pricing in this whole thing also.

Damayanti Kerai: Okay. And...

Shaunak Amin: But just so that we're clear, on the DPCO products, there will be no pricing increase versus last year. So if you have to take that as which is a decent chunk of our portfolio, if we keep that as flat, except that there will be some price increase, but there will be some price cuts also as a part of that. But yes, it would be largely volume and there would be a smaller component of pricing on that.

Damayanti Kerai: Okay. So just to clarify, you don't assume any pricing change in the DPCO part of your portfolio, although around 15...

Shaunak min: Yes, because if you see over last year versus this year, prices are the same if I have to factor-in the cut, which we had to take last year as well as the opportunity as per the WPI, it was a net even. So I don't think there's any increase over the previous financial year at the start of the financial year.

Damayanti Kerai: Okay. And my last question is on your observation. This is for the broader business. So your observation on the input cost pressure, which we make for a few quarters back. So all those have normalized the input cost pressure on raw materials or fleet, etcetera.

Shaunak Amin: Some of the pressure still stays on the packing on the RMPM side of things. But honestly, with the price and oil coming down, we expect some easing above this hopefully going forward. On the API side, there is some marginal increase, but not material.

Damayanti Kerai: Okay. And are there like energy or fleet costs, etcetera?

Pranav Amin: No, -- we don't have large component to India business on that side.

Damayanti Kerai: Okay. Not to India business, but from overall business, maybe...

RK Baheti: Like other energy cost would be increasing A, because of rate hikes by the state electricity boards and B, because of increased unit consumption with operations of additional facility. And I mentioned in my note that we will be investing into solar projects for compensating for -- so there'll be one time investments, but then there'll be a significant amount of savings over the next 20 years or so.

Damayanti Kerai: So this benefit of solar energy investment will come from this year itself? Or it will take some time?

RK Baheti: It will come from H2 of this year.

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

RK Baheti: Yes. Thanks. So thank you, everyone, for being patient with us. It was a heavy board and the meeting extended right up to 4:30 or so. So thank you very much for being with us till late in the evening and wish you a happy weekend, and we'll keep interacting individually and of course. Wish you all the best.

Moderator: Thank you. Ladies and gentlemen, on behalf of Alembic Pharmaceuticals Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.