Date: August 23, 2022

To,
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai – 400 001
Scrip Code: 543434

To,
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex
Bandra (E), Mumbai – 400 051
Scrip Symbol: SUPRIYA

Dear Sir (s),

Subject: Transcript of the Earnings Call of Q1 of FY 2022-23

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 we hereby enclose the transcript of the Earnings call held on Tuesday, August 16, 2022 at 3.00 P.M. IST to discuss operational and financial performance of the Company for the quarter ended June 30, 2022 (Q1 of FY 2022-23).

This is for your information and records.

Thanking you,

Yours faithfully,
For Supriya Lifescience Limited

SUPRIYA LIFESCIENCE LTD. MUMBAI

Shweta Singh
Company Secretary & Compliance Officer
Membership No.: A44973

SUPRIYA LIFESCIENCE LTD.

"Supriya Lifescience Ltd. Q1 FY23 Earnings Conference Call"

August 16, 2022

MANAGEMENT: **DR. SATISH WAGH – CHAIRMAN AND MANAGING DIRECTOR**
DR. SHIREESH AMBHAIKAR – CHIEF EXECUTIVE OFFICER
MR. ASHISH NAYAK – CHIEF FINANCIAL OFFICER
MS. RASIKA SAWANT – ORIENT CAPITAL, INVESTOR RELATION PARTNER

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY23 Earnings Conference Call of Supriya Lifescience Ltd. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Rasika Sawant from Orient Capital, Investor Relations Partner. Thank you and over to you, Ms. Rasika.

Rasika Sawant: Thank you and welcome to the Q1 FY23 Earnings Conference Call of Supriya Lifescience Ltd. Today on this call we have Dr. Satish Wagh – Chairman and Managing Director along with senior management team. This conference may contain forward-looking statements about the company which are based on beliefs, opinions and expectations as of today. Actual results may differ materially. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed safe harbor statement is given on page number two of the company's investor presentation which has been uploaded on the stock exchange and company's website as well.

With this, I hand over the call to Dr. Satish Wagh for his opening remarks. Over to you, sir.

Satish Wagh: Good afternoon and warm welcome to all the participants. Thank you for joining us today to discuss the Supriya Lifescience Ltd. Q1 Financial Year 2023 results. I am joined by Dr. Shireesh Ambhaikar, the Chief Executive Officer, Mr. Ashish Nayak, the Chief Financial Officer of Supriya Lifescience and our Investor Relations Partner, Orient Capital.

I hope everyone got the opportunity to go through our financial results and investor presentation which have been uploaded on the stock exchange as well as the company's website. We started Financial Year 2023 on a good note. Despite the ongoing crisis between Ukraine and Russia and the extremely unstable macroeconomic environment, we have been able to register an operating revenue growth of 32% over Q1 FY22 as well as a healthy EBITDA margin of 31% and PAT margin of 25%.

Our focus has been to register new products in the regulated markets and further penetrate existing products in the regulated markets.

To strengthen the portfolio, we are adding more products in the basket from existing and newer therapies.

Other than the aforesaid mentioned, the important focused areas where we are experiencing excellent progress includes backward integration, increasing capacity for the future prospects and capitalizing on CMO/CDMO potential.

We committed on improving infrastructure which includes debottlenecking and the development of 2 new R&D centers and 2 manufacturing blocks.

Our endeavor is to healthy revenue growth while maintaining healthy margins and upgrade to the evolving GMP and EHS standards.

With this, I now hand over the call to Dr. Shireesh Ambhaikar, our CEO to share the key highlights of our business performance, over to you, Dr. Shireesh.

Shireesh Ambhaikar: Thank you Mr. Wagh. Hello everyone. As mentioned earlier by Dr. Wagh, despite the volatility in the markets due to the Russia Ukraine war and supply chain disruptions, we have been able to register a stable growth. Our measures to counter these challenges by building up inventory of raw materials to ensure smooth operations have worked well. Raw material supplies were well organized with no significant impact on capacities. Result is that we could deliver a decent top line while maintaining healthy EBITDA and PAT margins.

We are working in R&D to add new products to our product basket and are expanding into newer geographies with existing products. Supriya Lifescience is committed to providing sustainable and reliable performance. Our strength is in large scale chemicals manufacturing and we have the experience in handling hazardous complex chemistries. Significant progress is made in the CMO/CDMO space. Work is in progress with various companies ranging from big pharma to innovator companies to work as a partner for supplying products as per their needs. Work is now in advanced stages for the first commercial quantities to qualify Supriya Lifescience as a source for a couple of companies.

Work is progressing on building and expanding capacities. A new warehouse facility for finished goods is now ready to be commissioned and we are setting up 2 R&D facilities, one at Lote for product lifecycle management and backward integration and the other one in Ambernath along with the pilot plant for new molecules and CMO and CDMO business. The lab at Lote will be operational in Q2 FY23 and the R&D Lab at Ambernath along with the pilot plant is expected to be operational end of Q3 FY23. Currently, Supriya facilities are running at full capacities.

As regards manufacturing capacity expansion we have started construction work on a new block called E Block which is going to add 350 m^3 or KL of reactor capacity in Lote. A new manufacturing block of 70 KL capacity attached to the new R&D at Ambernath is also coming up. Along with that, we are currently debottlenecking our manufacturing capacities in existing blocks in 2 blocks, namely A and B blocks, capacities are being increased and debottleneck for running products. We are seeing an increase in demand for some of our current mature products.

Lastly, I would like to touch upon the company's backward integration business model. Our top 12 products out of about 38 we are backward integrated, and these contributes 70% to our sales. We are extending the backward integration model to a new product as well, so that we maintain the competitive edge. A large part of the growth and sustainability was driven and will be driven by these backward integrated products.

With this now I hand over the call to Mr. Ashish Nayak, our CFO to share the key highlights of our financial performance, over to you Ashish.

Ashish Nayak: Thank you Dr. Satish and Dr. Shireesh. Thanks to the Orient Capital team for being here and thanks to all of you guys for being here.

I will now share the operational performance for the Q1 FY23. This first quarter for FY23, this quarter was a good quarter for anesthetic therapy. Anesthetic, which was contributing about Rs. 113 million of operating revenue in Q1 FY22 has now contributed Rs. 500 million in Q1 FY23. That's almost 5 times what we did in the same quarter last year. Our exports continued to be 83% of sales and share in the regulated markets has increased from 33% in Q1 FY22 to 44% in Q1 FY23, primarily driven by increased penetration in the European market.

Talking about the quarterly performance, companies reported revenue from operations of Rs. 1,014 million in Q1 FY23 as against Rs. 769 million in Q1 FY22, delivering a growth of 32%. EBITDA stood at Rs. 312 million Q1 FY23 as against Rs. 154 million in Q1 FY22, a jump of 102%, EBITDA margin stood at 31% in Q1 FY 23 as against 20% in the same period last year. Profit before tax increased by 115% to 301 million for Q1 FY23, as against Rs. 139 million in Q1 FY22. Profit after tax stood at Rs. 252 million Q1 FY23. As a percentage, it was about 25% of the operating revenue. Value growth in regulated markets compared to last year same quarter was 106%. Despite of the volatility in the market due to the war and lockdowns on further COVID, we have been able to register a strong growth. We ended Q1 FY23 on a very strong note. This is all from my side.

We can now open the floor for questions and answers. Thanks to all of you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah: A couple of questions from my side. First one in the reported quarter, how much of the revenue has come from the block 4 which had gone live in Q122.

Ashish Nayak: To reply to that, se, all these blocks that we have, four blocks, they are interconnected and integrated. It would be impossible to identify as to how much sale is coming in from a particular block. Because a given product let us say the initial stages may be through the first block and then the final stage may be through the fourth block. So, it's a combination of all. It's very difficult to identify what's coming in and what's the revenue generated from particular block.

Dhaval Shah: Okay, so the reason for asking this is that like in FY21, we were operating at an optimal utilization of around 70%, 71%. That is the optimal as for the presentation. We did around Rs. 400 crores of annual revenue. Now in Q1 23 we are Rs. 100 crores, so what is the increase in revenue and this Q1 23 will have a new added block as well. Now the new block as the presentation, is operating at 70% utilization. I just wanted to understand what is the revenue from that Q1 FY21 when we were at a company level operating at 70% and now also, we are at 70%, while the quarter ended is Rs. 100 crores.

Ashish Nayak: If you look upon it, what I can tell you is, there has been a phenomenal growth and that's something that said in my speech as well earlier, in the anesthetic category. The anesthetic category, if you look upon it in terms of value, the sales has been almost five times what we did in the same quarter last year that itself gives you an idea as to jump from almost Rs. 11 crores to Rs. 50 crores, that itself gives you an idea as far as the overall increase in the value is concerned. Also try and understand that we have also increased the inventory levels for the finished goods, as compared to what were at in Q1 FY22. Obviously, the production is also one is the sales which has happened, and the second part is it is lying in stock in terms of the orders that we have in hand.

Dhaval Shah: Okay, thanks for that. Now secondly given the kind of expansions which are going on, which is giving us a visibility around 810 KL in capacity, so is it safe to assume that we should be around Rs. 1,000 crores sales by FY25 on 810 KL capacity?

Ashish Nayak: Okay, I will answer it in a different way, I will put it, currently if you look at my asset turnover run rates, FY21 was about 4 where we were sitting on a gross block of Rs. 100 odd crores and my revenue was around Rs. 390 odd crores. The run rate was about 3.9 to 4 asset turnover. FY22 we were 2.85. But that was as I said earlier, since the new fourth block had just got operational in that year, and it takes about a year and year and a half for any block to get to reach its peak. As I see going ahead because let us understand that revenue is a factor of two things. One is which regulated markets, how much of that percentage is going into regulated markets, because in regulated markets, because of the highest average selling price, value would be higher. That's one. The second thing is the additional capacity to that effect if you look upon it going ahead, we would be around asset turnover of about 3. That's what I'm looking at, because of the new capacities which are going to come up. I am sitting on a gross block of Rs. 200 crores as on date and in addition to that, over the next one and a half years, we are adding another Rs. 230 odd crores. So Rs. 430-440 crores is what we are looking at gross block. So, you can very well imagine 3. But understand that would be when once these blocks start reaching their peak capacity. To reach that peak capacity it takes about one or one and half years for any block to reach its peaks. Also understand that the new products that are being rolled out, they will be first rolled out in the semi regulated market and it takes about two and a half to three years for any product to enter into the regulated market. You have to give us that much time. At least 26, I would say 26, 27 is what when I'm looking at that kind of a top line.

Dhaval Shah: So Q2 what 2 expansions which we are undergoing right now. One is that one is on the adjoining plot of land which is around 12,500 square meters and the other is 20 kms away of 25,000 square meters. 24,600.

Shireesh Ambhaikar: This is Shireesh Amabhaikar. Let me answer that. A new block of 350 cubic meter capacity the work has just started at Lote site. The construction has started and typically during monsoon the construction is slow, but it will pick up speed. We have taken care of the basic, I would say construction requirements and work is progressing. Typically, it takes 12 to 15 months for a block of this size to get ready. Somewhere next year, next financial year Q1 or Q2 we will start commissioning this. As Ashish mentioned, it typically takes one, one and a half years to do the process validations of the products that are targeted, thereafter the regulatory approvals. So, the capacity utilization will happen in phases starting let's say 18 months from today I would say with the new capacity. The second block is coming up in Ambernath where we have an existing site, and we are setting up our main R&D center there to cater to CMO/CDMO projects and this would need scale of facilities. It will have a pilot plant along with semi commercial capacity plant of 70 m^3 capacity which will be multi-purpose in nature.

Dhaval Shah: Correct. The Isambe plant is for the growth beyond this 810 KL, correct?

Shireesh Ambhaikar: That's right, sir.

Dhaval Shah: Got it. The last question, it's a short-term visibility question. Now, last year second quarter we had a very fantastic show off. We did around Rs. 150 crores top line with around 53% of EBITDA margin. Do you think you'll be able to show growth over this in the second quarter?

Ashish Nayak: Let me not commit on any quarterly targets but what I can tell you is for the full year we would be doing very good, and the margins would also be at a very healthy rate.

Moderator: The next question is from the line of Keshav Kumar from RakSan Investors. Please go ahead.

Keshav Kumar: As far as I understand, Ketamine has been generic for a long time for anesthetic and analgesic purposes. In the US Ketamine used there is a racemic mixture of S & R enantiomers, in UN Latin it's (S) Ketamine. But (S) Ketamine is being repurposed for depression and treatment resistant depression so on and so forth. For example, FDA approval for Spravato in 2019 as well as a few other clinical trials are underway. So, the chemistry is pretty much out there. But I'm trying to understand if there's been a favorable shift in pricing for (S) Ketamine because of this may be due to some demand supply gap. Like for example, sizable difference in cost for capilar versus spravato, so what used to be off label is now getting formalized. Could it be we are getting this benefit of mental disorder repurposing leading to shortage of s-ketamine market and that in turn leading to pricing benefits?

Shireesh Ambhaikar: The volumes are not there yet of (S) Ketamine, in the US as a competition to Spravato some generic companies are working with us, but it is too early to say about how the pricing will evolve on that. We are working with some companies in the development phase.

Keshav Kumar: Okay, so just to invert this question, from 2016 and 17 to now and also from last year to this year we have seen sizable jump in our revenues, what's been the change in per kg. prices?

Shireesh Ambhaikar: As of now, these are stable over the last few years.

Keshav Kumar: Okay, so the growth has come largely because of volumes.

Shireesh Ambhaikar: Yes.

Moderator: The next question is from the line of Nishant Sabnis from Sabnis Finances. Please go ahead.

Nishant Sabnis: I just had a quick question on the margin profile of the company. I mean the raw material prices have subsided a bit. What's your view on the margin profile going forward, if you can give some guidance or any information directionally also that will be really helpful?

Ashish Nayak: We have been stating this earlier and that's something which Dr. Shireesh has stated in his speech. Almost 70% of the revenue which has been generated is for products which are backward integrated. Which means that we start with the basic key starting material. We have been having a very close eye on the pricing for our raw materials. As far as the key starting materials are concerned, we have not seen any major jump in the prices. Yes, the prices for solvents have gone up thanks to the war, but again, they have come down now and as such if you look upon it the pricing for the solvents, the impact on the final costing for the product is not much. As such, there has not been any major impact on my costing for the products and so even our debt in the solvent cost won't have major impact. As far the key starting materials are concerned, as I stated earlier, they have been almost constant. No major changes.

Moderator: The next question is from the line of Yogesh Tiwari from Arihant Capital. Please go ahead.

Yogesh Tiwari: I had a question on the regional revenue. It looks like that the proportion of revenue from Asia has declined. Just wanted to understand if you can share if it is related to the lockdown in China and how do you actually export to that country if you can share?

Ashish Nayak: It is a factor of the product-mix. Some of the products and this is a cyclical thing, it's a seasonal thing. Some of the products do exceedingly well in some quarters. This particular year we have done exceedingly well in the European, Latin as well as in the American markets, North America. Yes, Asia, if you look upon it, there has been a marginal decline, almost 24%. So yes, that is there.

Yogesh Tiwari: This is related to the China lockdown?

Ashish Nayak: Some aspect of it is on account of the China lockdown, yes, but not the entire impact it's because of China.

Yogesh Tiwari: Okay, just to understand, do you export through the Shanghai port and what were the steps taken by the company in a lockdown in China?

Ashish Nayak: In a lockdown, if you look upon it, since the ports have been shut down, we have not been able to export much. Whatever we have been able to export our small consignments and nothing major as of now, but we are expecting the ports to open up and things are slowly getting back normal. That's the information that we have got. So going back, we expect things normalize. In any case, any consignment if we are not able to ship them in this particular quarter, they spill over in the next quarter. As far as the financial year is concerned, we are well on track in terms of what our positions there.

Yogesh Tiwari: Lastly, on the Europe and this US revenue mix, it looks like that the contribution of Europe on a percentage basis has come down while that of North America has increased. If you can share any product introduced?

Ashish Nayak: I am looking at Q1 FY22 versus Q1 FY23. Q1 FY22 contribution from Europe was 10%, which has gone up to 20% on a higher top line. Definitely Europe has in fact, in terms of absolute value, the turnover has almost gone up by five times. We did about Rs. 11 crores in FY21-22 as against Rs. 50 crores in this quarter. There has been an increase. As far as North America is concerned again, we have been able to do higher sales over there. Some of the products which are there, I mean, the therapies that we are into anesthesia these are products which have been doing good. Yes, so we have been able to increase the contribution from these geographics.

Yogesh Tiwari: **A**ny new product or any new launches in North America because the contribution is increased so just wanted to understand that?

Ashish Nayak: No, it's higher penetration of the same existing product into the American market.

Moderator: The next question is from the line of Siddharth Purohit from InvesQ Investment Advisors. Please go ahead.

Siddharth Purohit: Our other cost has been relatively on a higher side and if I look at even on quarter on quarter on absolute medicine. So how should we look at it? Would it be a function of the absolute amount of top line that we do or was there any one off maybe regulatory cost involved in this also?

Ashish Nayak: You are referring to other expenses in P&L, right?

Siddharth Purohit: Yes.

Ashish Nayak: So, if I compare it with Q1 FY22, where we had a total of Rs. 135 million in Q1 FY22, it has Rs. 224 million. But if I compare it with Q4 FY22, we did about Rs. 223 million. It's almost at par with what we did in Q4 FY22. If you are comparing it with Q1 FY22, keep in mind that, that was the quarter in which the fourth manufacturing block was operational. So that was one plus we have also increased by debottlenecking the capacity for our existing blocks as well. Yes, with that, some of the other expenses mainly contributed by power, I would say. The power costs have gone up, obviously because the new block has got operation and it's a much bigger block as compared to the earlier 3 blocks. That's the main reason. Going ahead, we do not see any major spike until the next 2 blocks start getting operation.

Siddharth Purohit: In a steady state basis, what should be the normal run rate as a percentage to sales? There will be multiple overheads I believe, but except the one-off cost that you said.

Ashish Nayak: It would be at par with what you're seeing in this quarter because in the last two quarters, the other expenses have remained constant in absolute terms.

Siddharth Purohit: There was no regulatory like filing cost and all that involved in that what you are saying?

Ashish Nayak: These are routine recurring costs which keep on happening. If there was something in the last quarter, it could be that in this quarter as well, like lab expenses, power expenses, power has been a major contributor, but other expenses are there which have gone up with the fourth block getting operations, but nothing one off or major amount in this.

Moderator: The next question is from the line of Rajdeep Singh from ASK Investment Managers. Please go ahead.

Rajdeep Singh: You said the growth in Europe was higher in terms of absolute also and in terms of percentage share as well. I just wanted to know, in terms of demand, are you seeing increased demand from your end customers who are looking to take you as an alternate source of suppliers because of the China lock down or maybe Russia, Ukraine crisis? What is the sense?

Ashish Nayak: If you look upon it, we have been in the European market for the last almost 4 to 5 years and every year we have been able to penetrate and become the first source for some of our customers. With that, we have been able to get much larger share from competitors who are there. So that's the main reason.

Rajdeep Singh: But this is, as usual business, nothing?

Ashish Nayak: It is as usual business and I hope it continues the way it is.

Rajdeep Singh: Hope for the good. Lastly, if you can help me corroborate your capacity expansion because you say 810 KL will come by Q1 FY24, today your capacity is 547 KL, correct?

Ashish Nayak: Yes, correct.

Rajdeep Singh: So, the difference is 263 KL, right. You're saying block E is 350 KL and 70 is Ambernath. How do you correlate this?

Ashish Nayak: So, the block E is being constructed to move activities from an older block which would later be decommissioned, which is approximately 150 m^3.

Rajdeep Singh: Okay that is why you say this 340KL will replace an old block of 145 KL.

Ashish Nayak: Correct.

Rajdeep Singh: Okay. So, this is one, 70 KL is over and above this, right?

Shireesh Ambhaikar: That is over and above, it's at the site in Ambernath. It is going to be a manufacturing block attached to the new R&D center for scale-ups and commercialization.

Rajdeep Singh: Okay. And by Q2 FY23 the block which will be available is for backward integration, correct?

Ashish Nayak: Q2 FY23 no new block will be available. That is the R&D building with new labs for quality, warehouse, the three activities mainly quality control labs, quality assurance, R&D and finished goods warehouses. That one will get operational in this quarter.

Rajdeep Singh: Okay. Because sir, was to understand that in one of your slides you are saying your capacity utilization is 70% which was 47% in FY22 on increased capacity and in the subsequent slides you are saying that it is running at full capacity. So, is 70% the optimum capacity? So, for incremental volume growth when is your capacity expected to come online? Just connecting the dots.

Shireesh Ambhaikar: 70% is the maximum utilization and it depends on how you calculate. We don't calculate the in-between cleaning hours. The facilities are mainly multipurpose in nature. So, there is cleaning happening between campaigns. So, 70% is the optimum.

Rajdeep Singh: I was just reading from your presentation slides where you're saying 70% and then in subsequent slide, you're saying it is currently being fully utilized.

Shireesh Ambhaikar: 70% is full capacity. That's what I would say.

Ashish Nayak: 70% is full capacity utilization because this is a multi-product facility, than if I manufacture a given product, I can reach 100%, if I manufacture only a single product. But since there are multiple products which keep on happening and as Dr. Shireesh said, we run campaigns where in a given campaign we run, let's say, 'x' number of licensed product, depending upon the orders in hand. And once the campaign is completed, we move over and switch over to the next product. Now, this switchover takes time because the equipment has to be cleaned up and only after that we can start the next product. So, because of this switch over there is a time which is lost. So, as a result of that we consider that 70% is somewhere around reaching the peak capacity, and increase is maximum up to another 3% to 4% points. But beyond that we won't be able to manufacture because it's multi product.

Rajdeep Singh: Okay. So, incremental volume growth in subsequent quarters will be through debottlenecking, is that fair understanding?

Ashish Nayak: Yes, there is a lot of debottlenecking which is currently going on at the site so that is also going to increase the volumes.

Rajdeep Singh: Fair. And sir, you are saying that out of your (+) 1200 customers how much would you be supplying to distributors and how much would be through end client? Customers in previous quarters it was (+) 1300.

Ashish Nayak: So that keeps on changing quarter-on-quarter depending upon the product and depending upon the geographies that these products get into. But for distributors versus direct sales, I would say is somewhere around 46% to 48% would be through distributors and the balance amount is direct sales.

Rajdeep Singh: Okay. One last question for Ashish sir, how is the working capital behaved this quarter since there is so much of disruption on the supply side inventory stocking.

Ashish Nayak: We have continued to increase the inventory levels. So, the working capital is high at this point of time as well. We are just keeping our ears and eyes open. As things normalize of war, situation comes under control and whichever geographies there is a lockdown, once those start opening up slowly will normalize the stock level. But yes, as things stand today, we are at a higher working capital and inventory levels as well. The receivable amount has come down very well. But the inventory levels are still on a higher side. But that's a conscious call that we have taken. I mean had it not been so, then we would not have been able to increase our top line 35% last full financial year and almost same rate even in this year, we would not have been able to reach that 32% in this year, this quarter I am saying. That's a call which we have taken consciously considering the volatility and the turbulent times that we are living.

Rajdeep Singh: I got it. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Naresh Vaswani from Sameeksha Capital. Please go ahead.

Naresh Vaswani: Was there any revenue which got deferred in the Q2 and if yes, what would be the quantum of that?

Ashish Nayak: You meant Q4 or Q1?

Naresh Vaswani: From Q1 to Q2.

Ashish Nayak: FY23 you are saying.

Naresh Vaswani: Yes. In this quarter I'm asking was there any shipment which has got deferred and would come into Q2?

Ashish Nayak: There have been a few shipments which we had planned towards the last week of June which have got deferred and we have been able to make your shipments in this quarter.

Naresh Vaswani: Okay. And in terms of your opening remarks regarding the progress in the CMO, CDMO molecules, wanted to understand what is the nature of these molecules? Are these patented or generic? And also, what is the value addition which we are providing to the customers? Or why would the customers come to Supriya Lifescience for these molecules?

Shireesh Ambhaikar: These are generic molecules and, of course, there are newer applications of generic molecules that are also coming up. To answer your question why the customers are coming to Supriya, in one specific case, it is because of our capability to do those kinds of processes that has worked well, and we are at a stage with that customer where we are likely to get orders for commercial quantities, I would say. So, it's a mix of, I would say old generic and some new applications of the generics at the moment. In the future the mix could change.

Naresh Vaswani: Sure. And we had got the CEP for Salbutamol. So, have we started the supplies in Europe for that?

Ashish Nayak: It's in progress.

Naresh Vaswani: Okay. So, this year it will pick up in the subsequent quarters, right?

Shireesh Ambhaikar: We expect so.

Naresh Vaswani: Okay. And one last question. So, this quarter we have done 31% revenue growth. Would it be fair to say that for the full year we will maintain that sort of run rate for revenue growth?

Ashish Nayak: Historically, if you look upon it, for the last four to five years we have grown at a CAGR of almost 24%-25%. We are confident on maintaining that run rate. But at the same time, having said that, there are a lot of opportunities like what Dr. Shireesh said, some of those opportunities we are able to commercialize that's much better.

Naresh Vaswani: Sure sir. All the best.

Moderator: Thank you. The next question is from the line of Tejas Mehta from Omkara Capital. Please go ahead.

Tejas Mehta: Just once again coming back to the capacity utilization in the inventory levels, can you quantify the value of this inventory and it's lying on the balance sheet today that we manufacture also you will be sold subsequently.

Ashish Nayak: Just give me a minute. The total inventory which is lying in the balance sheet as on date was about Rs. 100 crores.

Tejas Mehta: So, of this how much will be the finished goods inventory of these 100 crores?

Ashish Nayak: About Rs. 24 crores.

Tejas Mehta: Okay, because I'm just trying to understand, trying to relate the two things. You said 70% utilization we achieved in the first quarter, but the revenue of the finished goods inventory looks pretty low. Just about Rs. 135 crores. So, I'm trying to understand the numbers. How do we read these numbers?

Ashish Nayak: Again, let us understand that what you're seeing over here is just the cost of those finished products. When we are considering the revenue, obviously there's a margin which would come into that. So, every product has a different margin structure. So, that's where it is. And I'm also sitting on Rs. 32 crores worth of work in progress. So, my total almost finished and work-in-progress stock, finished stock is about Rs. 56-57 crores.

Tejas Mehta: Okay, got it. And how does the product basket mix change quarter-to-quarter? Because I believe it varies quite frequently from Q-o-Q?

Ashish Nayak: The seasonality is in the cough and cold segment mainly.

Tejas Mehta: Okay. Because I'm trying to understand that probably some quarters there will be higher VAP, value added products or let's say higher margin products, so high priced products may be dominating and some quarters like first quarter the other low value added or let's say low margin products must be dominating. That's what I'm trying to understand because when you're talking about 25% growth for the full year, it's kind of a number of about Rs. 550 crores add over the next three quarters. So, what would be driving that considering that we are already at 70% utilization of the capacity?

Ashish Nayak: It depends upon the products that are manufactured, and it depends upon the orders in hand. There are some products which get manufactured start to end in, let's say, one day. There are some products which may take about seven to eight days. For a multi-product facility, it is very difficult to…with that same 70% I can almost double my revenue as well. I can do half the revenue as well. Depends upon the product and the production cycle for that product. So, it's a bit complex, but we manage it on the basis of our experience in this field and a bit of information with regard to the orders in hand.

Tejas Mehta: Okay, got it. And in terms of the revenue share from the developed markets, where do you want to be, say by FY24-25? Currently we're at 42% of the revenue. Where do we want to be in the next couple of years?

Ashish Nayak: If you look at the trend, it has gone up from almost 33%, from almost zero to 33%. Last year, for the full year we did (+) 50%, this quarter we are at 44% odd. The higher the better. That's what the target is. So, try and understand, for the next couple of years we are seeing a lot of our existing products which till now we are selling in the semi regulated markets. Some of them already got registered, some of them are in the process of getting registered. So, the next couple of years once they get registered and we start selling them in the regulated markets, the share is going to go up. That's how I look upon it. As to what it's going to be. Only time will tell, but it's going to better than what we have right now, that's for sure.

Tejas Mehta: All right. Okay, got it. Thank you so much.

Moderator: Thank you. The next question is from the line of the Tushar Bohra from MK Ventures. Please go ahead.

Tushar Bohra: Thanks for the opportunity and congratulations to the management for a good show YoY Sir, just a couple of points. First, you mentioned just in the previous question that few of the existing products should start selling in regulated markets. So, if you can help us understand better either with the exact names or maybe if not qualitative some quantitative data, how many products are we talking from the existing market that will move up, which products if you can give specifics and timelines as well.

Ashish Nayak: We won't be able to give the specific names of the products. But these are in the allergy segment and cough and cold segment. That's where we are seeing increasing requirements from the regulated markets. If you ask me to give a number, these are about four products.

Tushar Bohra: And this should happen in this financial year, we should start seeing revenue, or have you already started seeing revenue?

Shireesh Ambhaikar: In some cases, we have to do a submission of a drug master file of something that is already available for the other markets. So, it's a submission of the drug master file, approval of that and we are working with customers along with them to do the submission. So, the horizon could be 18 months to 24 months to achieve significant volumes on these four products that we're talking about.

Tushar Bohra: We have not yet started booking revenue, let's say from markets like US, Europe for this product?

Shireesh Ambhaikar: No.

Tushar Bohra: Anything that will come in FY23, sir, from any of our existing product basket?

Shireesh Ambhaikar: Not in FY23. These are the early supplies that are happening for validation quantities for the customers.

Tushar Bohra: Got it, sir. Second, if you can help understand, the CMO CDMO opportunities slightly better. I think you mentioned in one of the previous responses that one product you may be close to signing off a commercial something. If you can share more qualitative inputs on the entire pipeline.

Shireesh Ambhaikar: So, on two products we are at a stage where I said that we are just waiting for the purchase orders for the supply of first commercial quantities which will help the customers perform production scale batches and their submissions. That's the clear progress on two products. And on quite a few others, we are in the lab. In some products, the lab samples have been given, the lab samples are under assessment. In a case or to the lab samples are okay and we've been asked to move on with the next stages. So, this is how it is progressing. There are about 7-8 projects active like that at various stages.

Tushar Bohra: And anything that you would deem substantial compared to your current revenue size that hopefully we would have more inputs on a near term, maybe some announcements related to that or some more qualitative details available, say by next con call?

Shireesh Ambhaikar: We expect some of these to contribute significantly. That's our effort, that's all I can say. Otherwise, we wouldn't pursue these opportunities.

Tushar Bohra: Sir, the anti-anesthetic product, which is one of our top three products, you mentioned that there's been a major revenue jump in this quarter. I think the segment as a whole gone from Rs. 10 crores to more than 50. The share of Europe has gone from about Rs. 8 crores to 24-25. So, we can expect that the penetration of anti-anesthetics has gone beyond Europe, say some of the other regulated markets also in this quarter?

Ashish Nayak: This quarter has been good and if you look upon it, even the quarter before that, we did good in this particular therapy and going ahead we are confident that we will be able to maintain a good growth in that particular geography. Plus, we are also looking at other regulated markets for the same product. Initial stages as of now, but as and when it starts getting converted, that would also be adding a huge value.

Shireesh Ambhaikar: This has been Europe centric. We are seeing interest from US now.

Tushar Bohra: Any supplies in this quarter Q1 to US actually?

Shireesh Ambhaikar: Just the initial quantities for qualifications.

Tushar Bohra: And sir, it would be fair to assume that the kind of traction we've seen in this product or this segment in Q1, we should be able to maintain this kind of…so there is clearly no one-off element and we should be able to maintain the momentum through the year without getting into specifics quarter by quarter, but overall basis we should see a substantial growth from this product category?

Ashish Nayak: We will see a substantial growth, we will see a good growth as far as this particular therapy is concerned, we are confident about it.

Tushar Bohra: Just one clarification one of the previous responses, we did about Rs. 530 crores revenue FY22. Historically we have managed to grow revenues at about 24%-25% CAGR, safe to say close to double in revenues over a three-year time frame. Is there a reason why we are not comfortable with that kind of a run rate? When we say that we will hit Rs. 1000 crores by FY2627, is it just something that are we being conservative.

Ashish Nayak: We are being conservative. It's always better to under declare and over deliver, that's what we believe. We did that in the last financial year which was the first financial year for Supriya after getting listed. So, that's been our thought process and we'll continue with that. So, whatever we say we believe that we should over deliver on that. So, that's where it is. And as I said along with that, that there are a few projects which are big budgets and if we are able to deliver that, not if, it's only question of when, once we are able to deliver that, that would definitely be an upside to what we have just projected.

Tushar Bohra: Would it be fair to take your revenue CAGR number as a better indicator of possibilities? Say, next three years we should be able to maintain maybe a 24-25, whatever, in that vicinity run rate.

Should we take that as a better indicator of execution capabilities rather than going by a specific number?

Ashish Nayak: Yes, you can look upon it that way. Historically that's what we have done, and the upside now is that over there we are sitting on limited products, there were other products but not major in the regulated markets. Now over the next two to three years we are going to see a lot of our existing products into regulated markets. Plus, you have the new products that have been rolled out, the capacities are going up and the CMO, CDMO opportunities which are there in the offing, so, all these factors taken together we are very positive, and we should be able to do better than what we are saying, that's what we strongly believe. But anyway, keeping our fingers crossed and trying our best to reach there.

Satish Wagh: And I think Tushar, the one market which we are not discussing, recently I visited Brazil which is Latin America which is also now gearing up the new standards like the GMP, etc., have been started implementing by this market. Current source is only China one source. Now they have to qualify second source with GMP certificates, etc., by 2023 March so the procedure is already started on.

Tushar Bohra: Great to hear, sir. So, is that possibly could emerge as a big market for us?

Satish Wagh: See, Latin America is also one of the biggest markets for us and it is also increasing in a larger way because as I told you current source is one and people have decided. The country rules and regulations have changed. The country itself has decided for the second source and second source whoever is going to be qualified will be with the GMP certifications and the approvals of the products by filing the drug master files. So, this is another thing which another 6-7 months you will see in this market a good trend of exports.

Tushar Bohra: Fantastic, sir. That's very useful. Qualitatively one last question on the anesthetic product in US. Sir, are we also working with innovators for some of these new clinical trials for new indications like gaming addiction and COVID related depression, etc., or anything around that?

Shireesh Ambhaikar: Sorry, to say anything on that. I understand the question, but we cannot talk much about it at the moment.

Tushar Bohra: But safe to say that we would definitely be a relevant company when it comes for innovators to look at for API supplies given our capabilities and scale?

Shireesh Ambhaikar: That's our aspiration.

Tushar Bohra: Got it, sir. Thank you so much. I'll join back in the queue.

Moderator: Thank you. The next question is from the line of Aashish Upganlawar from InvesQ Investment Advisors. Please go ahead.

Aashish Upganlawar: Sir, in the previous comments that you made, I mean the range of revenue growth when we say Rs. 1000 crores in the five years it would be say 14%-15% CAGR. And then we talk about 24%-25%. So, the band is quite huge, and you would probably have certain aspirations of growth and the execution capability probably would be somewhere in mid, is that what one should expect from Supriya? Because yours is a uni listed company that's why it's a question from us, how do you think in terms of your execution and possibilities that you see for your business overall?

Ashish Nayak: We've got a professional team over here and it's well led by the promoters. We have got more than 35 years of experience. We have done exceedingly well in the last four to five years. We have been able to register products in the regulated markets. Multiple USFDA approvals, three times earlier USFDA approved and other authorities as well. So, we are very confident that whatever capacities we are building up and what our new products that are being rolled out and whatever new geographies we are getting into or making efforts to get into, we'll definitely be able to convert. Yes, as Tushar stated earlier, we are being conservative when I give you the percentage and in absolute value terms, we are being conservative. If we are able to achieve that we would be very happy, and I think we should be able to overachieve that. But anyway, let us not get quoted for that. So, it's always better to under declare and over deliver.

Aashish Upganlawar: Okay. With the kind of developments that you mentioned in terms of CMO, CDMO that might be there, or you going to regulated markets or increasing share of regulated markets and stuff. The margins at least are pretty good in terms of the 41%. So how do we see these? I mean, one can expect these to sustain or what is the band that one should look at for Supriya that way given the mix and geography and everything that keeps over a period of time.

Ashish Nayak: I will maintain what I said in the earlier earnings call as well and I stated that while, yes, the existing products which are getting into the regulated markets the margins would be higher. At the same time there are new products which are getting rolled out into semi-regulated markets where the margins are lower. Plus, we are also adding up capacities. When we add capacities, typically it takes about 1-1.5 years for any plant or manufacturing block to reach its peak capacity. So, till that point of time the revenues which are generated are not commensurate with the expenses that have been incurred or the overheads that are being incurred. That would be always the push and pull of all these factors. But yes, what I can assure you is going ahead you would be maintaining healthy EBITDA margins and healthy profitability. Yes, that's for sure.

Aashish Upganlawar: So, healthy would mean upwards of 35% generally?

Ashish Nayak: Let me not be quoted on that. I'm saying historically, if you look upon it last year in the worst of years, we still managed this (+) 40%. So, I won't give a number to that but yes, I can assure you that it's going to be definitely healthy, yes.

Aashish Upganlawar: Okay. And lastly, is it possible to share the overall working capital cycle in terms of number of days or however you want to just help us with? Because this is not a quarter where we get the balance sheets of companies but just in case you could.

Ashish Nayak: Well, these are not audited. I don't know whether I can give it but Yes, working capital in terms of number of days is roughly around 6-6.5 months as of now. That's why we know but that's primarily because of the inventory levels being higher, and we have consciously taken a call to increase the inventory levels. That's how it is.

Aashish Upganlawar: Okay, so this would stay at 130 odd days for now, for this year?

Ashish Nayak: No, I'm saying the working capital in number of days is about 200 odd days, so that's about 6-6.5. And we are just waiting and watching. As all the companies and all the industries are currently, we're just waiting for things to normalized on the war front, on the COVID front and whatever other issues that are there currently. Once things normalize, obviously we'll take a call to reduce inventory levels. But till that point of time, we cannot let non availability of inventory or raw materials being a reason to not supply to our customers. Try and understand we have been dealing with these customers for more than two decades in some cases, more than three decades in some cases. And these are large formulations players, multinational. So, that production cycle depends upon our delivery. So, any slippage on that means their production cycle goes for a toss. We cannot afford to do that. We need to maintain our good relations with them. So that's the reason.

Aashish Upganlawar: Okay. And you're saying mostly it is only the inventory days and the other parts the payables are…

Ashish Nayak: The receivables has come down to a great extent, but the inventory levels, yes, are high currently and that's a function of it.

Aashish Upganlawar: Sure. Thank you.

Moderator: Thank you. The next question is from the line of Devang Shah from Investsavvy. Please go ahead.

Devang Shah: Actually, my question was on the margin front, but that has been actually already answered by the management to earlier participants. So, no questions furthermore, thank you.

Moderator: Thank you. The next question is from the line of Keshav Kumar from RakSan Investors. Please go ahead.

Keshav Kumar: Sir, you spoke about (S) Ketamine pricing. So, could you help understand if the market stays fairly under supplied? I mean, if you could talk a bit about the demand supply dynamics. And also, if you could elaborate a bit on the clinical supplies part of it.

Ashish Nayak: Sorry, can you repeat your question please? Couldn't hear well.

Keshav Kumar: Am I audible now?

Ashish Nayak: Yes.

Keshav Kumar: Sir, you mentioned about (S) Ketamine pricing it has been stable for the last few years. So, is the market under supplied? If you could talk about the demand supply dynamics.

Ashish Nayak: The pricing is stable. The approved drug which is there on the market is with the innovator. The generics has not yet appeared. The genericization has not happened yet. It's in development phases.

Keshav Kumar: Sir, but that's for the mental disorder part, right? But for the anesthetic and the analgesic part?

Ashish Nayak: The other volumes are steady and growing in some markets, volumes are growing, pricing is stable.

Keshav Kumar: Okay. So, just taking your internal view on (S) Ketamine versus the racemic one in terms of the kind of stability it can see as per you over the next five to seven years, the new indications and also the usual demand.

Ashish Nayak: We're not aware of that. In the other isomer, some early-stage clinical work is going on right now, the (R) Isomer.

Keshav Kumar: So, for anesthetic and analgesic in US it's (S) Ketamine that is used or it's Ketamine hydrochloride that is racemic one?

Ashish Nayak: (S) Ketamine hydrochloride.

Keshav Kumar: Okay. Alright sir got it. Thank you. That's all from me.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now hand the conference over to Dr. Satish Wagh for closing comments.

Satish Wagh: Good afternoon. I personally thank all the participants who got connected with Supriya Lifescience. I'm quite confident that Shireesh Ambhaikar, our CEO and Ashish Nayak, CFO, have given the information which was required by all the investors. If you still have anything and any information is required, do not hesitate to send an email to us and definitely we will come back to you, and we'll answer you. Thank you very much for your time. I promise you that we will definitely do our best and deliver the good results to all the investors. Thank you.

Ashish Nayak: Thanks a lot. Really appreciate this.

Shireesh Ambhaikar: Thanks a lot, Orient Capital team also. Thank you.

Moderator: Thank you. On behalf of Supriya Lifesciences Ltd., that concludes this conference. Thank you for joining us and you may now disconnect your lines.