



SUPRIYA LIFESCIENCE LTD.

Creating true values that bind global health

Date: August 8, 2023

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 for the quarter ended June 30, 2023

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 Friday, August 4, 2023 at 11.00 A.M. IST to discuss operational and financial performance of the Company for the Quarter ended June 30, 2023 (Q1 of FY 2023-24).

This is for your information and records.

Thanking you,

Yours faithfully,
For Supriya Lifescience Limited

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

Corporate office : 207/208, Udyog Bhavan, Sonawala Road, Goregaon (East), Mumbai – 400 063. Maharashtra, India.
Tel: +91 22 40332727 / 66942507 Fax: +91 22 26860011 GSTIN: 27AALCS8686A1ZX
CIN: L51900MH2008PLC180452 E-mail: supriya@supriyalifescience.com Website: www.supriyalifescience.com

Factory : A-5/2, Lote Parshuram Industrial Area, M.I.D.C. Tal.- Khed, Dist. – Ratnagiri, Pin :415 722, Maharashtra, India.
Tel: +91 2356 272299 Fax: +91 2356 272178 E-mail: factory@supriyalifescience.com

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SUPRIYA LIFESCIENCE LTD.

“Supriya Lifescience Limited Q1 FY24 Earnings Conference Call”

August 04, 2023



SUPRIYA LIFESCIENCE LTD.



orient capital



MANAGEMENT: **DR. SATISH WAGH – CHAIRMAN & MANAGING
DIRECTOR, SUPRIYA LIFESCIENCE LIMITED
DR. SALONI WAGH – DIRECTOR, SUPRIYA
LIFESCIENCE LIMITED
MR. KRISHNA RAGHUNATHAN – CHIEF FINANCIAL
OFFICER, SUPRIYA LIFESCIENCE LIMITED**

MODERATOR: **MR. IRFAN RAEEN – ORIENT CAPITAL**



Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY24 Earnings Conference Call of Supriya Lifescience Limited.

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 * then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Irfan Raeen from Orient Capital. Thank you and over to you, Mr. Raeen.

Irfan Raeen: Thank you, Michelle. Thank you and welcome to Q1 FY24 Earnings Conference Call of Supriya Lifescience Limited.

Today, on the call, we have Dr. Satish Wagh sir - Chairman and Managing Director, along with senior management team.

Before we begin the call, I would like to give a short disclaimer. This call may contain some of the forward-looking statements about the company, which are based on belief and opinion and expectation as of today. Actual results may differ materially and these statements are not guarantee of future performance and involve unforeseen risks and uncertainties that are difficult to predict. At a detailed Safe Harbor statement is given on our page number two of investor presentation of the company which we have uploaded on stock exchanges and company's website. With this, I hand over the call to Satish sir. Over to you, sir. Thank you.

Satish Wagh: Good morning and warm welcome to all the participants. Thank you for joining us today to discuss the Quarter 1 Financial Year '24 Results of Supriya Lifescience Limited.

To take us through the results and answers to your questions along me, I have Dr. Saloni Wagh - Director and Mr. Krishna Raghunathan - Chief Financial Officer and our Investor Relations Department, Orient Capital. I hope everyone got the opportunity to go through the "Financial Results and Investor Presentation" which have been uploaded on the stock exchanges as well as the company website.

First, let me share some light on our latest announcement regarding the exclusive technology licensing agreement from Plasma Nutrition granting Supriya Lifescience Limited has the sole rights of manufacturing and marketing ingredient optimized protein that is ioProtein in India. India's rapidly growing demand for protein supplements made this a very attractive proposition for us. Its high bioavailability makes it perfect candidate to be used as a protein powder as well as other protein supplements. This is because injection of ioProtein ensures higher amounts of proteins are absorbed quickly by the body, providing consumers with a more effective and efficient protein supplement. We are very optimistic regarding this strategic partnership and believe that the product has a huge opportunity to emerge as a better, healthier, alternative amongst the protein nutrition product in our country.



Quarter 1 started with great momentum across segments like antihistamine, analgesic, vitamins, anesthetics and antiasthmatic. We continue to retain our position as the largest exporter by the volume of some product segment and fulfilling the growing and the demanding needs of the prominent global pharmaceutical companies. Our business mix revenue contributed by various regions stays in line with previous quarters except North America, which increased from 5% to 9%, hence we see good traction in untapped regulated markets for our key products. Under anesthetic therapy, 3 ANDA projects have been initiated and we are also working on ANDA projects like antihypertensive and vitamins, we will keep you all updated as and when progress happens.

Now coming to our Quarter 1 FY24 performance:

Our continuous efforts to reduce our reliance on China due to the pandemic, along with the enhanced focus of regulated markets such as US, Europe and Latin America have led to a substantial Y-o-Y increase year-on-year increasing our revenues reaching Rs. 132 crores. As you are aware, we have been consistently maintaining a targeted EBITDA margin range of 28% to 30%. We are pleased to announce remarkable growth of 42% in EBITDA announcing Rs. 44.5 crores resulting into EBITDA margin of 33.7%. Furthermore, our profit after tax, PAT has demonstrated as impressive wise year-on-year growth of around 13% reaching to Rs. 28.5 crores accompanied by PAT margin of 21.6%. We believe the company is in a good position and with a great start of Financial Year '24, we are confident to sustain the same level of performance which we have guided.

As we mentioned previously in the future, our company lies in R&D, we initiated the process of setting up enhanced R&D and pilot plant at Ambarnath Lab, which is currently under construction and will be operational by Q4 Financial Year '24. This would be used for next phase of expansion for rolling our new APIs and CMO and CDMO business. The company focused on deepening its knowledge based across complex chemistries, technologies and patented processes.

With this, I hand over the call to our CFO – Mr. Krishna Raghunathan to share the Q1 Financial Year '24 financial highlights with you all. Over to you, Krishna.

Krishna Raghunathan: Thank you, sir. Hello, everyone and good morning.

I will now share the “Operational Performance” of the quarter following which we will open the floor for questions and answers.

The Company's reported revenue from operations of Rs. 132 crores in Q1 FY24 as against Rs. 101.4 crores in Q1 FY23. EBITDA in Q1 FY24 stood at Rs. 44.5 crores as against Rs. 31.3 crores in Q1 FY23. EBITDA margins stood at 33.7% for Q1 FY24 as against 30.8% in the same period last year, thus registering a growth of around 287 bps. Profit before tax was at Rs. 42.6 crores from Q1 FY24 as against Rs. 30.1 crores in Q1 FY23. PAT stood at Rs. 28.5 crores in Q1 FY24 as against Rs. 25.3 crores in Q1 FY23. PAT margins stood at around 21.6%.



With this, we can now open the floor for question and answers, and thanks to all of you for attending our conference call.

Moderator: Thank you very much, sir. We will now begin the question and answer session. The first question is from the line of Ishita Jain from Ashika Stock Broking. Please go ahead.

Ishita Jain: So do we have any quantity gone to China in this quarter's topline?

Saloni Wagh: Yes, we do have some volume which has gone to China in terms of the volume the business is recovering. Also, we are seeing a lot of volume traction again happening from the Chinese market. However, because of the current situation in China, there is a little bit of price pressure, which is still there.

Satish Wagh: As far as Supriya is concerned, Supriya concentrates on volume there because we have committed certain volume of 45 metric tons above there we go, it will be put under antidumping duty. That is what, say from the Chinese end. So we concentrate only 45 metric tons and very happy to say we already have sold out for the current financial year.

Ishita Jain: So we did 45 tons in the first quarter?

Saloni Wagh: No, what he means is that we already have a contract in place to cover the volume out of which some quantity we have partially shipped and the balance would come in the subsequent quarters.

Ishita Jain: And is it the same historical EBITDA margin that you have maintained previously before lockdown?

Krishna Raghunathan: No, the margins will not be same like what you had in the historical past, the margins would be constricted ma'am.

Ishita Jain: My second question is a bit broader question, for our APIs in the pipeline, can you give some qualitative color? Do we have innovative APIs or any highly complex ones or any APIs with high entry barriers, thus low competition, some color on this would be great?

Saloni Wagh: So yes, we are working on three different baskets of APIs in R&D. One is the APIs with certain innovators. So these are the kind of tie-ups that we are currently looking at. The other APIs are again in the generic space where we currently operate, but these are very large volumes and our chemistry wise, there is a lot of complexity which we think is our core capability. So some APIs from categories like anti-anxiety, anti-diabetic, these are some of the therapies that we are evaluating and they would really fit in well with our existing therapeutic basket and then, of course, there are certain opportunities in the CDMO space where a lot of the larger companies, they are now working on reducing the supplier, they have this kind of a strategy. So once we are approved with some of the larger multinational, they want to add more products in our basket. So some type of long tie-ups wherein the API volume is guaranteed and the term of the agreement is guaranteed, these are also some of the products that we are currently considering.



- Moderator:** Thank you. We will take the next question from the line of Varun Mohanraj from Skarniva Capital. Please go ahead.
- Varun Mohanraj:** So we have been talking about the new products coming online and as well as CMO contributing to our revenue significantly from FY25 and 26 onwards, so in the medium term, when all these products and CMO come online, our current exposure to top three products is like 35%, so like when all these new products and CMO come online like to how much can we reduce our exposure to our top three molecules?
- Saloni Wagh:** So if you are looking at a long term, by FY26 when most of the CDMO opportunities, new product sales come in, also some of the existing basket products where we currently have no traction in regulated markets when they also scale up, the dependence on the current product, which is around 35% would go down to somewhere around 20%.
- Varun Mohanraj:** And my second question is, we have also talked about debottling one of our old blocks and taking our overall capacity post Ambernath to around 1100 KL and also about Isambe plant for future growth, so any update on that, have you started working on those plants?
- Saloni Wagh:** Yes, so capacity enhancement we are doing in two parts, one is the existing capacity which we have at Lotte site which is our US FDA approved site. The current capacity is around 550 KL. There we are adding another production block which would add another 400 KL to our capacity. So all in all, the Lotte site capacity would be around 1000 KL towards end of this financial year. Ambernath would be an additional capacity, which is around 70 to 100 KL depending again on the kind of product mix which we put there, but it is also multiproduct facility. So these are the two areas where we are doing the capacity enhancement and then the Isambe plot, we have already taken the plot, however, construction has not started there. That is something that we will keep for the next leg of growth. Whatever we have said till FY26, the top line we will achieve would be through the Ambernath plant and the existing Lotte plant.
- Varun Mohanraj:** And just a follow up on that, can you give me the current utilization levels across all our plants?
- Saloni Wagh:** So the current utilization at Lotte site is around 70%. This I would say we optimize utilization because it is a multiproduct facility, so there is a lot of product change over that happens, but once the new block gets added towards end of this year, definitely we will have more capacity.
- Varun Mohanraj:** The overall utilization at the company level?
- Saloni Wagh:** At the company level is around 70%.
- Varun Mohanraj:** And this is the optimized level or if you can go above this?
- Saloni Wagh:** So considering it is a multiproduct facility, I would say 70% to 75% would be the most optimized capacity utilization because of the current product mix what we have.



- Moderator:** Thank you. We will take the next question from the line of Ridhima Goyal from Acquaint Bee Ventures. Please go ahead.
- Ridhima Goyal:** Congratulations to your team for such a good set of numbers. I have two questions, one is I just wanted to know our CAPEX plan for FY24 and what will be the estimated gross block going forward at the end of FY24?
- Krishna Raghunathan:** When it comes to the CAPEX plans, specifically we are looking at two areas, one would be the module E which Dr. Saloni had just pointed out. So there we would be spending our major part of it and of course some bit of it will also go to the pilot plant in the Ambernath site. So these are the two areas where we would be spending the major CAPEX, I think the CAPEX range would be somewhere between Rs. 70 to Rs. 90 crores, depends, some of which might be in the current year, some of which might also spill over into the next year. This would be the plans for CAPEX in the current financial year and gross block would be somewhere around, I would say around 250 to 300, I think this will add up to our overall existing gross block.
- Ridhima Goyal:** So currently we have like in FY23, we had Rs. 260 crores of gross fixed assets, right?
- Krishna Raghunathan:** Correct and another Rs. 70 crores from the current year and then the next couple of years we might have another Rs. 120 crores. That would be the overall total, which we will be adding up.
- Ridhima Goyal:** And what would be the asset turn we are targeting for this?
- Krishna Raghunathan:** Asset turns would be around 2 to 2.5x, we are targeting at the current moment.
- Ridhima Goyal:** And sir, how much time does it take to reach optimum utilization level for a new capacity?
- Saloni Wagh:** So I would say about 2 to 2.5 years it needs for optimum utilization because the first year whenever you introduce any product, it would be mainly in the semi-regulated and domestic market and then once the regulatory approvals come through, then we can start focusing the product into the more regulated market space, so let us say 2 to 2.5 years for optimum utilization.
- Ridhima Goyal:** And this new plant will be dedicated for the newer products which we are going to introduce or it would be used for the existing products as well?
- Saloni Wagh:** So it would again be a multiproduct block, so it could be a mix of both to cater to the new products what we are introducing into the basket as well as some of the volume scale up which we envisage in our current basket as well.
- Ridhima Goyal:** And just final question on the China part, so what is the ongoing situation over there, like do you see the demand is recovering or when do you see this pricing pressure going to end and it will turn into a good revenue contribution?



- Satish Wagh:** Let me tell you about China. As I told you, China, we started supplying. I have recently made in the last 45 days 2 visits to China and the current situation in China is not that good, in fact the Chinese are asking even intermediate and APIs from India. Wonder to me is that they are also asking formulations to be registered in China. This was the scenario and the discussion which I had never in the last 15 years. So you can understand there is a big opportunity, but time will take. As far as our API sales is concerned in China, we have already closed with them with the regular financial year, the quantities and for that we have also received the one, almost some amount of money as a deposit security for the two years contract from those companies.
- Ridhima Goyal:** Two years contract you have taken with the Chinese people?
- Satish Wagh:** We don't want to make a longer contract because when you make a longer contract, you may land up into trouble also. So we have done for '23 and '24 and that already signed and the materials have started moving, things are on positive track.
- Krishna Raghunathan:** These are calendar years, whatever sir is saying are all calendar years.
- Ridhima Goyal:** And so as per the situation which you are looking at currently, what is the revenue growth which you can easily achieve in FY24 or 25 like looking at the orders which the customers are giving and as per the demand?
- Saloni Wagh:** So we have always indicated that 20% to 25% year-on-year growth in revenue considering our baseline was slightly lower last year, 25% is something that we are very confident of achieving and that is the minimum I feel that we can achieve. Definitely, there is an aspiration to achieve a higher number as well.
- Moderator:** Thank you. The next question is from the line of Tushar Bohra from MK Ventures. Please go ahead.
- Tushar Bohra:** Congratulations to the management for very good set of numbers. So just a quick clarification, as you had mentioned in the previous calls as well, the utilization when we say 70% is typically volume based and depending on the product mix, some of your products being very high margin, the absolute revenue figures can be dramatically different across quarters, right, so we have achieved Rs. 180 crores or so in one of the quarters in the past, so it is fair to say that the utilization level will not be a constrained for revenue given the product mix changing to more favorable product or the higher margin product?
- Saloni Wagh:** Yes, absolutely. Depending on the product mix and the geography mix also, in fact, we can achieve much higher numbers from the same capacity. Also, capacity has never been or in fact going forward will also never be bottlenecked for us or our growth.
- Tushar Bohra:** And the capacity that is being added also since you have incrementally a lot more traction coming in from regulated markets, maybe beginning this year or next plus as well as the management has guided that the CMO projects or CDMO projects will essentially be similar or



higher margin than the base, so is it fair to assume that the asset turn that we are guiding at 2 to 2.25 is slightly on the conservative side and aspiration should be for higher because historically you maintain more than 3x asset turn quite comfortably across few years?

Krishna Raghunathan: Correct, Tushar. The only thing why we want to be a bit on the lower side is like what Dr. Saloni has already said it will take 2 to 2.5 years to fully, what you call optimally use the site at say 70% to 75%, See, when you are looking at 70% to 75% utilization levels, that is where your 2.5x to 3x whatever you are saying is going to come, so that is the only what do you call thought difference which you and me are having, that is all, nothing beyond.

Tushar Bohra: So let us say whatever is your existing capacity, whenever it gets optimally utilized and with a reasonably good balance of regulated markets to semi-regulated, 3x is closer to what we should assume right rather than 2x?

Krishna Raghunathan: Yes, pretty much, you are right.

Tushar Bohra: Sir, if you could share more details on the two CMO opportunities or CDMO opportunities that have been announced in the last quarter, one on the ioProtein and one of your projects with the European company as well as if you could share more details on, there were few projects mentioned that you are also working on potentially, if you could just share more details quantitative qualitative around the entire CMO, CDMO pipeline?

Saloni Wagh: Yes, so for CDMO opportunities, currently we have already signed and announced two, the first one, it is a very large opportunity for us. This is for API sale. It is an extensive tie-up with one of the leading companies in Europe and we will be supplying a certain volume of API which is fixed and the contract actually spans over 10 years and we will be selling these API's exclusively for them and all of their regulated markets. So this particular contract has very large potential and we will be seeing a good volume uptake from the next financial year itself and 26 is when we will see the maximum volume coming in and the contribution to the revenue would be much higher. The second CDMO opportunity which we have just recently announced is with the US company, Plasma Nutrition. Here we are trying to bring in a very new and groundbreaking technology in the protein space. It is a patented technology which Plasma Nutrition has and Supriya we have an exclusivity for the Indian market. Basically, we are utilizing our US FDA approved plant and our manufacturing capability. So we would be the manufacturing and the marketing partner and as you know that whey protein in the last couple of years, the demand has just gone up significantly and the protein space in general, the demand is growing year-on-year. With this new technology coming in and if we get the right kind of traction for the product, this could potentially be a very large opportunity for Supriya and it would potentially change the protein landscape drastically in India as well. So this is something which we are really excited to work with them and hopefully from next year the volumes would start picking up. Other than these two large opportunities which we have already announced, there are a couple of other opportunities also under discussion, but they are at a little premature stage, but the focus of the company is to add such opportunities, which in another 2-3 years would start giving significant



contribution to the revenue. So we have a derisk portfolio of API plus some of these other CDMO opportunities. That is one of the reasons why also we chose the product in the protein space because it would just diversify our current portfolio and product basket.

Tushar Bohra: Ma'am, when you say couple more opportunities, is it fair to say that these are maybe more advanced stages of discussion relative to the others because in the previous calls we mentioned we are working on 15-16 potential projects or discussions or something around that number, so is it fair to say that when you say two more opportunities, these are maybe more advanced related to the others, what would be the overall number of discussions we would be having across intermediates and maybe other products also, APIs?

Saloni Wagh: So currently there are about 8 to 10 active discussions which are at a slightly, I would say, at a more concrete stage where we are discussing on how we can take up and we are mapping internally in terms of capacity and all, but out of these, I would say there are two or three opportunities which are at a much advanced stage as you rightly said. We are very hopeful that in the coming few quarters we would be able to make another announcement very soon.

Tushar Bohra: If I may just ask one last quickly, just a clarification this China, when you say that we have resumed some supplies, is it fair to say that we are still quite low relative to the peak and the contracted commitment that you said 45 metric tons, that is say maybe beginning calendar year 23 and would that be at least at a similar higher margin than the corporate given that in the past this product was possibly one of our very high margin opportunities, the reduced margin, is it still in line with corporate or higher or lower?

Saloni Wagh: So definitely like our Chairman said that in terms of volume, we have seen a good recovery happening in the China market. As far as volume is concerned because of the contract that we have in place now we are assured that at least volume would move, but like you said, the current situation in China is not very favorable in terms of pricing and there is a lot of pricing pressures. So definitely as compared to the previous margins, what we were enjoying in those markets, they have reduced. However, they are still in line with or slightly higher in fact than the current EBITDA margins what we are making.

Moderator: Thank you. We will take the next question from the line of Bhaumik Salan from Arihant Capital Markets Limited. Please go ahead.

Bhaumik Salan: So my question is on the ioProtein from Plasma Nutrition, so what kind of contributions are you expecting from that contract in the topline and from when can you just please highlight that?

Saloni Wagh: So currently, we are still bound by confidentiality, so we will not be able to share any numbers in terms of what would be the addition in our revenue just yet, but in the coming few quarters, we will definitely be in a better position to share what would the forecast be.



- Bhaumik Salan:** And on the China front, you mentioned that there was a restriction of only 45 MT of supply to China, so the API deal that you have signed right now is for the whole year, is it 45 MT and you have supplied only some part or is there some different volume for that?
- Satish Wagh:** See, I told you every product when you think about supplying to China, you are already seeing the situation that there is a war between two countries for antidumping duties. From the day one, we have said previously last 2 years also that we have a certain share which we should take. If we try to exceed they will do that putting an antidumping duty, so we should not concentrate more and more on China as far as the prices and the quantum is concerned. We already have shifted this current financial year, almost we will cover 70% to 75% balance 30%, it goes as for the financial year will go in the next year. So we are assumed. One thing I would like to tell you that China is currently facing a lot of issues for their major exports to Europe and US. Their major exports are formulations, large facilities where our Chlorphenamine maleate consumes and they participate in big tenders in various areas of the world. Unfortunately, current situation, they are not able to access Europe, access US and other markets, so they are taking with the minimum quantities which we have discussed and they continue with the business supporting and that is already signed by them and they are taking the material. So we cannot force them much more because we also have certain quantities to be given and certain quantities we are trying to explore the market in other areas, since China is not taking the complete large quantity, but we are getting benefits in other markets, Latin America, South America, in Europe, many people have started asking the material with a better price also.
- Moderator:** Thank you. We will take the next question from the line of Siddharth Purohit from InvesQ Investment Advisors Private Limited. Please go ahead.
- Siddharth Purohit:** Some of my questions have been answered. Some more data points I want sir, since we will also be capitalizing some assets during the year, so how would the depreciation number look like and also, since you have a sizable export review, so still we are ending up paying like tax on a higher side, so any calculation on that?
- Krishna Raghunathan:** See, the tax percentages if you see it is hardly 25% along with the deferred tax, the numbers might be what do you call, it depends on various other factors because of the deferred tax. With respect to your question on capitalization, if you are talking about another Rs. 80-Rs. 90 crores worth of capitalization, somewhere around Rs. 7 crores to Rs. 8 crores will add up as depreciation. I think that is how it generally is. If you take around on an average around 8% to 9% the value of the asset would be coming and hitting us depreciation every year. That is how generally the depreciation numbers move, so if you are having Rs. 100 crores of CAPEX, say somewhere around Rs. 8 crores to Rs. 9 crores will come and hit us depreciation every year. That is how it is.
- Siddharth Purohit:** And just to ask again that the 20%-25% growth that we are seeing is on the volume side, right?
- Saloni Wagh:** We are talking about the revenue, the value.



- Moderator:** Thank you. The next question is from the line of Viraj Mahadevia, an Individual Investor. Please go ahead.
- Viraj Mahadevia:** I am new to the company but fascinating developments, just to probe a little further on the China question, sir, you mentioned for the specific product we are supplying up to 45 for the reasons you have mentioned, but given the conversations you are having with the customers there, are you looking to increase your product basket exposure to the Chinese market? Are you talking to the eventual formulators or are you going to a distributor that is going to distribute your products to the various formulators?
- Saloni Wagh:** Yes, definitely. We have a lot of other products in the basket which we are currently registering in China. The volumes are not as big as some of what we have for the antihistamine therapy, but there are around 6 molecules which we are registering and they are already in the pipeline. Other than the antihistamine range, there are some other molecules where we already have the registration approvals also from NMPA, so definitely there are other products which we are promoting. In China, the business model is always through distributors because there are a lot of language barriers, which is there, so directly working with the end user is very difficult. So it is always a distributor driven model.
- Viraj Mahadevia:** And they help you with the registrations and that paperwork etc., because that is also challenging?
- Saloni Wagh:** We have very good experience handling China registrations because we were one of the first Indian companies to register our product in China. So our regulatory department is the one who handles the complete registration part. That is something as a strategy we don't give to our partner or our distributor. So the registrations are completely taken care of by Supriya. It is only the commercials where we are using our distributors.
- Satish Wagh:** So one more thing I will say, Supriya is the only first company which was audited by NMPA China in India.
- Viraj Mahadevia:** And for your other products that you are looking to register or are registering, can the sum total opportunity size be equal to your current product of 45 tons? I am just trying to understand, can you double your business in China in 12 to 24 months?
- Saloni Wagh:** No, it is not possible to double the business in China because the registration process in China itself is around 3 to 3.5 years. So it would not be possible to double it, but yes, maybe if we have a more 5 or 6 year view, it is then possible that we will be able to double through the other multiple products, but as a company for us, if you look at our revenue split for this year also out of the Rs. 134 crores topline that we have done for first quarter, our major focused region actually is Europe. Around 35% of the revenue is coming in from Europe. If you look at our North American share also, it has gone up, it is around 10% and then 10% is also coming from the Latin American markets. So if you put that together, that is a more significant chunk that is contributing to the revenue. So our focused market going forward as a derisking strategy are



Europe, North America and Latin America. So that is something that I would like to highlight, the product portfolio is also more driven by these markets going forward.

Viraj Mahadevia: And now many of these European and US customers, first time customers where they are running a pilot or have they moved to commercial, are they sourcing one product? Are they looking at your whole basket? Can you give us a flavor for where you are in that life cycle with these customers?

Saloni Wagh: So for the existing product basket, because we have already commercialized these products since the long time and we are just getting the CEP's and the Latin American and Anvisa registrations, the US FDA registration, I think it would more be, we are currently at a more advanced stage like we have already supplied the validation quantity, some trial quantity, so that business growth will come in faster. So this is for the existing product where we did have a presence in regulated market. For the new products, we are at a very initial stage, the products have just come out of R&D. So it will still take time for us to, just that maybe sampling level and all, not yet at the validation and commercial level, but the existing product basket itself other than the top 3 products, there are many products coming from decongestant category, antihypertensive, vitamins where we can see a good growth happening in these markets.

Moderator: Thank you. We will take the next question from the line of Ridhima Goyal from Acquaint Bee Ventures. Please go ahead.

Ridhima Goyal: Just wanted to understand that there is an increase in our net working capital, naturally because of the increase in our inventory level, so I just wanted to know the reason for it?

Krishna Raghunathan: Our inventory was somewhere around, last March was somewhere around Rs. 92 crores and this March we were at around Rs. 115 crores even for the quarter ended June, we were still at Rs. 115 crores. I don't see that this is causing any sort of a major issue. We had stocked up because of China was totally uncertain on certain of the raw materials, so major of these were raw materials and with Rs. 115 crores if at all, if there is going to be a turnover of somewhere around say Rs. 500 to Rs. 600 crores, I think it is a decent amount of inventory to hold I believe.

Moderator: Thank you. We will take the next question from the line of Naresh from Sameeksha Capital. Please go ahead.

Naresh: Firstly, congratulations to the management team and very happy to see the business coming back strongly. My first question is, I wanted to understand the gross margin trajectory is slightly better, so earlier when we were getting high margins in the CPM sales to China, we used to do 65% plus on gross margins, then subsequently, we had issues and then we saw the margins going below 55% and now again since last few quarters, we have seen the gross margins have come back to the 65% level, so can you help me understand, I understand that the regulated share has gone up year over year, but which are these products which are contributing and which have helped us to regain our gross margins?



- Saloni Wagh:** So we cannot discuss, unfortunately anything specifically in terms of product that is something I think is confidential and we will not be able to discuss product wise details. However, like you rightly pointed out, the share in the regulated markets has gone up and as you know, in the regulated market, you have a better average selling price as compared to the semi-regulated and domestic market and that is one of the reasons why the gross margins have gone back up.
- Naresh:** And in Latin America, would you be enjoying similar gross margins, compared to Europe or US or it would be lower than that and if you can quantify that?
- Saloni Wagh:** So again, that is something confidential which we will not be able to quantify. However, in general in regulated markets, you get a better average selling price as compared to the semi-regulated markets.
- Naresh:** And what was your contribution of anesthetic and antihistamine range of products in this quarter?
- Krishna Raghunathan:** Somewhere around 45%.
- Naresh:** Just one last question, so based on the visibility you have for the orders, is this gross margin range in excess of 63%-64% sustainable in the upcoming quarters as well if you can give us some color on that?
- Krishna Raghunathan:** We never guide on our gross margin share. Our gross margins would be a mix of a product and a region mix. So we have never given any sort of a guidance and at least to be very fair, I think between 60 to 65 is a possible number, but please don't hold us to it and this is not a guidance.
- Moderator:** Thank you. The next question is from the line of Nitesh Dutt from Burman Capital. Please go ahead.
- Nitesh Dutt:** I just have a clarification on one of your earlier remarks on China, so you mentioned that China is facing one of its worst situation in terms of API and intermediate supply in last 15 years or so, so just want to understand number one, is this for few specific products or across the industry? Number two, what is driving this? Is it going to continue or is it there only for a short time? And number 3 is Supriya able to benefit because of Chinese issues while supplying to US or Europe, do we have those specific products which China is not able to supply anymore?
- Satish Wagh:** Overall situation in China, they feel that India is becoming more competitive against China because the things like wage cost and other things are already going up. They are not able to penetrate from China to European markets currently, in US, they find a lot of problems. So considering all these things and there was a message and some discussion I had from my friends also, China is coming with some insurance policy for a common man and they feel that the Chinese manufacturers will not give the justice to them. That is why many people were coming in meeting the many manufacturers in recent our visit to CPHI in the exhibition that they were looking for the formulation, intermediates, API registrations in China. In fact, they were ready



to spend the money also for that. This situation, very frankly, in my 36 years of life, I have never seen. This was the first year which was giving some sort of a hope that the Indian companies should get in China. Only the registration is a long period, so that is why they have to wait.

Nitesh Dutt: Just wanted to understand, will Supriya be able to benefit, China is facing supply crunch in exports also right? You mentioned that they are not able to crack Europe and US markets anymore, so those specific products, will we be able to cater to the gap created by Chinese suppliers if there is an overlap in those product segments?

Saloni Wagh: Yes, there are. I mean, it is not just this year, since COVID actually a lot of the larger companies based out of US and Europe, they have been looking at India as an alternate source and I think the trend still continues. So a lot of the products which they were earlier on buying from China, they have slowly started moving the base to India and in fact some of the opportunities what we are currently discussing with our existing multinational customers are also on the similar lines.

Moderator: Thank you. We will take the next question from the line of Jagvir Singh from Shade Capital. Please go ahead.

Jagvir Singh: And my question is related to the margin, so we have a lot of improvement in the margin in Q1 versus Q1 and I think first half business is lower than the second-half, so what is the guidance for the full year EBITDA margins?

Saloni Wagh: So like we have always maintained that 28% to 30% is the margin that we are very confident that we will be able to achieve and sustain in the long term, but definitely depending on the product mix and the regulated market traction, what we have seen in the first quarter. If the same trend continues, there is a possibility of achieving a higher number as well, but the 30% is something that we are very confident we will be able to maintain long term.

Jagvir Singh: And second question is, how much revenue we got in the second half in percentage wise generally because there is some seasonality I think in the number?

Krishna Raghunathan: Our H2 numbers would be slightly better than our H1 numbers. That is how we always plan. Generally, what will happen is in around Q3, there will be a slight dip because all your regulated market customers will go for their holidays. So technically Q4 would be a better quarter than Q3 and of course between Q1 and Q2, Q2 would be somewhat better. That is how we generally look at it if you have to look at seasonality per say.

Moderator: Thank you. We will take the next question from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: Congrats for a good set of numbers. Coming to the last question on seasonality, so Q1 and Q3 are like similar, that is what my understanding, is that right?

Krishna Raghunathan: Yes, you are pretty much right, yes.



Ankur Kumar: So in terms of guidance, I think that is looking quite conservative now as in even on margins, you are saying 28% to 30%, but Q1 is which is a lean quarter has done 34% and in terms of growth also, can you please comment on that?

Saloni Wagh: So like I said, multiple times 28% to 30%, yes, it is a conservative margin, but that is on an annualized basis. What happens is that a lot of the margin profile is driven by the product mix and in which region the product is going in. In certain quarters, it is possible that the margin levels are very high, but 28% to 30% is on an annualized basis the guidance what we are very confident. Still, we are very aspirational that we will be able to achieve a slightly better number than this, but to be more conservative, yes 28% to 30%.

Ankur Kumar: And last question is on the tax rate, so that is like 33% this quarter, any change in policy or should here be 26%-27%?

Krishna Raghunathan: I think every one of you are making the mistake here, on the current tax only the 25.6% would be applicable. Along with the deferred tax, the deferred tax will always move up or down based on the capitalization and various other timing differences on the various assets, so please don't include the deferred tax. If you want the compute, you can always look at the current tax line. See, there is always a difference. When you see a tax line in any financial it is a combination of current tax plus deferred tax. So the 34%, there is no policy change or anything. It is only based on various timing differences of the various assets which caused the differences. That is all.

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

Saloni Wagh: We would like to thank everyone for joining the earnings call for Quarter 1 FY24. Thank you very much from the entire management team of Supriya Lifescience Limited.

Moderator: Thank you very much, ma'am. Thank you, members of the management. Ladies and gentlemen, on behalf of Supriya Lifescience Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.