



Pharmaceuticals Limited

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Date: 15th November, 2024

To,
The Manager,
Corporate Filings Department,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001

The Manager,
Listing Compliance Department,
National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051.

Security Code: 532815

Symbol: SMSPHARMA

Dear Sir/Madam,

Sub: Transcript of the Conference Call held on 13th November, 2024.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find the attached transcript of the Conference Call held on Wednesday, 13th November, 2024 for the quarter ended 30th September, 2024.

A copy of the said Transcript is being uploaded on the website of the Company <https://smspharma.com/financials/earning-call-transcripts/>

Kindly take the same on record and disseminate on your website.

Thanking you

Yours Faithfully

For SMS Pharmaceuticals Limited

**Thirumalesh Tumma
Company Secretary**



“SMS Pharmaceuticals Limited Q2 FY25 Earnings Conference Call”

November 13, 2024

Disclaimer: E&OE - This transcript has been edited for factual errors and clarity. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 13th November 2024 will prevail.



**MANAGEMENT: MR. VAMSI KRISHNA POTLURI - EXECUTIVE
DIRECTOR, SMS PHARMACEUTICALS LIMITED
MR. LAKSHMI NARAYANA TAMMINEEDI - CHIEF
FINANCIAL OFFICER, SMS PHARMACEUTICALS
LIMITED
MR. THIRUMALESHTUMMA - COMPANY SECRETARY
& COMPLIANCE OFFICER, SMS PHARMACEUTICALS
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to SMS Pharmaceuticals Limited Q2 FY25 Earnings Conference Call.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 this conference call, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded.

Today, we have with us - Mr. Vamsi Krishna Potluri – Executive Director; Mr. Lakshmi Narayana Tammineedi – Chief Financial Officer; and Mr. Thirumalesh Tumma – Company Secretary & Compliance Officer.

I now hand the conference over to Mr. Vamsi Krishna Potluri – Executive Director. Thank you and over to you, sir.

Vamsi Krishna Potluri: Good afternoon and a warm welcome to you all for joining us Q2 FY25 Earnings Call. I hope everyone has had an opportunity to go through our “Financial Results” and “Investor Presentation”, which have been uploaded to the stock exchange and our company website.

I’m pleased to report that we witnessed solid and sustained demand for our products. This reflects our success in capitalizing on growing market opportunities. Our strategy of a diversified API portfolio is delivering favorable outcomes with benefits accruing to our investors. We are expanding our market presence and reinforcing our position as a trusted partner for complex and profitable APIs.

Now coming over to our “Financial Performance” in Q1 FY25 and H1 FY25:

In Q2 FY25, I am pleased to report an 18% year-on-year increase in revenues from operations, reaching Rs. 196.75 crores. This growth was driven by healthy volume growth across our portfolio. Sequentially, revenue from operations was higher by 20%. For the first half of FY25, revenue from operations reached Rs. 361.2 crores, reflecting a 20% year-on-year growth, led by a strategic focus on expanding volumes in key APIs.

In terms of margins, our Q2 gross margin stood at 30%, showing some decline yearly and sequentially, primarily impacted by rising raw material costs due to geopolitical tensions. For the half year, gross margins were stable at 32%.

Additionally, we faced pricing pressure amid broader industry challenges, though we are optimistic about stabilization in the near future. Despite these headwinds, our EBITDA margins held steady at 16% for Q2 and 18% in the first half of FY25, thanks to our ongoing focus on operational efficiency. Our PAT rose to Rs. 14.1 crores in Q2, up 20% year-on-year, with PAT margins remaining consistent at 7%. For the first half of FY25, PAT reached Rs. 30.58 crores, making a robust 45% year-on-year growth, primarily driven by better performance and lower financial costs. This improved PAT margins to 8.5% for H1 FY25 compared to 7% for H1 FY24.

Now coming to our segmental highlights:

Our revenue growth was led by robust growth in ARVs and anti-inflammatory segment. I am pleased to report that ARV has rebounded strongly, which aligns with what we communicated earlier. Ibuprofen sales have continued on a solid growth trajectory supported by an expanding customer base, deeper engagement with existing clients and optimized production process. We maintained our leadership position in the anti-diabetic segment. Our other therapeutic categories continue to do well and are characterized by our consistent influx of new customers.

On the operational front, I am proud to report that we have received the EDQM certificate for our Vizag facility to supply ibuprofen for Europe. This reflects our commitment to quality and compliance with global standards and pursuing market leadership in our select API globally. Our backward integration and capacity expansion projects to support long-term growth is progressing as planned. We are on track to achieve commercialization by Q4 FY25. We anticipate sustained growth in our key API supported by an expanding customer base for the rest of the year. This positions us for a strong performance in the second half of the financial year, keeping us on track to achieve our outlook for FY25.

Thank you, we are ready to answer any questions.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of R.V.G. Krishna from Sri Venkateswara Enterprises. Please go ahead.

R. V. G. Krishna: Thank you for the quick summary and the update for the quarterly and financial results. Sir, I just wanted to know what would be the growth drivers for the company in terms of increasing the profit along with the Rs. 150 crore CAPEX plan which you have mentioned and what would be its role in increasing the revenues?

Vamsi Krishna Potluri: Thank you for your question. So, with respect to the CAPEX, as briefed, I think the CAPEX expansion plan will be completed by Q4 this year. The CAPEX plan, which we have taken up, is for the backward integration of key materials for some of our critical products. Definitely, this is definitely going to add more value at the bottomline level by pushing our margins a little bit in order to combat the price pressures, some of these products where we become more vertically

integrated, so these sort of give us some respite in terms of the pricing pressure and these will make sure that we are keeping our margins intact.

Moderator: Thank you. Next question is from the line of Deep Gandhi from ithought PMS. Please go ahead.

Deep Gandhi: I was talking about one of our specific products, which is Ranolazine. Can you please talk about what is the global market share of this product in terms of volume and value and what is our market share in this product if you can talk about that?

Vamsi Krishna Potluri: So, this is part of our JV product. So, with respect to market share, we have around 40% market share globally. We have a good presence with some of the key manufacturers out of India who are manufacturing this for the generic market in the US. And obviously we have two, three critically big customers in Europe. So, this is part of our JV project with our partner Chemo.

Deep Gandhi: What would be the volume market share of this product if you can also, the total volume size of this product globally?

Vamsi Krishna Potluri: For us, it's like a 60-metric ton product. Obviously, it varies here or there. And I think in terms of volume, we'll be at 30%-35% in terms of global volume.

Deep Gandhi: How has this product market grown over the last 3-5 years?

Vamsi Krishna Potluri: It's sort of consolidated to be honest with you. It is sort of consolidated and actually it's not growing as we anticipated. It's sort of consolidated, too many players in the market, the prices are more or less coming down. There's a lot of price pressure on this particular product and volumes also have not increased significantly. I think maybe if I'm not wrong, it's flat or even there is a slight decline also in terms of volume.

Deep Gandhi: Sure and sir who would be our top competitors for this product out of India, some of the top competitors?

Vamsi Krishna Potluri: I probably would not like to answer that question because we are probably talking about this company, so I would not like to name the competitors in the call. If there is anything, you can probably write to us and we will definitely respond to you.

Deep Gandhi: Just one last question, you mentioned that the volumes have been flat. What about the pricing? How has been the pricing in the last 3-5 years for this product?

Vamsi Krishna Potluri: Again, as I told you, there has been a lot of price pressure. So, definitely there is a pricing erosion of around 10% year-on-year on this product approximately.

Moderator: Thank you. Next follow-up question is from the line of R.V.G. Krishna from Sri Venkateswara Enterprises. Please go ahead.

- R. V. G. Krishna:** Sir, as you have mentioned that you're about to expand your new product line. May I know the current status? Because in the last investor concall you mentioned you were about to launch, in process of launching some 15 new products?
- Vamsi Krishna Potluri:** So, this major CAPEX expansion that we are doing is for our existing products. So, many of the key starting materials we are actually planning to manufacture in-house. So, apart from this, we have segmented around 25% of our CAPEX for new products. So, new products are still in the pipeline phase right now. They're in the pipeline, few on the validation phase. So, they're not fully commercial yet. And these products will not be commercialized now because they have some patents associated with them. So, I think it will take 2-3 years for them to commercialize them.
- Moderator:** Thank you. Next question is from the line of Shaurya from Ahuja Partners, please go ahead.
- Shaurya:** I wanted to know what would be your capacities post CAPEX in Hyderabad and Vizag?
- Vamsi Krishna Potluri:** So, Hyderabad's capacity remains the same because we are not doing any CAPEX there because it is a small size. Our volume for Vizag site will be reaching around 3000 KL.
- Shaurya:** And what is the current utilization level?
- Vamsi Krishna Potluri:** So, right now the utilization level is at around 60%. I think we are anticipating it to go up to 75%.
- Shaurya:** By when?
- Vamsi Krishna Potluri:** By FY26.
- Shaurya:** And do we have any growth, what are the growth plans for FY26, like topline and margins?
- Vamsi Krishna Potluri:** So, again, as we already indicated in the last call, I think we are anticipating around 15% to 20% growth on the topline. And bottomline, around 12% to 15%.
- Shaurya:** Margin will remain around 20?
- Vamsi Krishna Potluri:** Margin will be around 18. Right now, we are already at 18%. I think it'll be in that same range 18% to 20% depends on product mix and volume because we are increasing the volumes on high volume products. So, I think it's sort of will remain in that range 18% to 20%.
- Moderator:** Thank you. Next follow-up question is from the line of R.V.G. Krishna from Sri Venkateswara Enterprises. Please go ahead.

R. V. G. Krishna: Sir, just wanted to check on the update of the backward integration of certain raw materials which you're trying to do?

Vamsi Krishna Potluri: As I have alluded in my opening speech, I think by Q4, we will be completing the CAPEX for the vertical integration projects. So, I think we will be fully backward integrated by the end of Q4 FY25.

R. V. G. Krishna: So, how positive will be impact on the reducing the cost of your products and will that increase your margins?

Vamsi Krishna Potluri: See, margins are a significant factor apart from that dependency on another country or different manufacturers will reduce significantly especially for some of our key products. So, in the current geopolitical situation, we don't know what will happen and how it will impact. Getting it manufactured at our own site will give us that leverage and confidence to our customers and also that they will not have any supply issues. So, that was our main target for initiating this vertical integration. But obviously, definitely there will be saving on the cost as well. The profitability will definitely increase by around close to around 5% to 8% to what we currently have.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question. I'll now hand the conference over to Mr. Vamsi Krishna Potluri for closing comments.

Vamsi Krishna Potluri: Thank you everyone for joining on this call. We are committed to delivering exceptional value to our customers, driving innovation and achieving sustainable success. Our strategic approach ensures positive outcomes for our stakeholders in upholding our dedication to sustainability. Please reach out to our IR consultant or us directly should you have any further questions. Thank you again for your time today.

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