SUPRIYA LIFESCIENCE LTD.
Creating true values that bind global health

Date: August 19, 2024

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, 2024

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 Monday, August 12, 2024 at 11.00 A.M. IST to discuss operational and financial performance of the Company for the quarter ended June 30, 2024 (Q1 of FY 2024-25).

This is for your information and records.

Thanking you,

Yours faithfully,
For Supriya Lifescience Limited

SHWETA SHIVDHARI SINGH

Digitally signed by SHWETA SHIVDHARI SINGH
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SUPRIYA LIFESCIENCE LTD.

“Supriya Lifescience Limited Q1 Earnings Conference Call”

August 12, 2024

SUPRIYA LIFESCIENCE LTD.

orient capital

CHORUSCALL®

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

MODERATOR: **MS. PRACHI AMBRE – INVESTOR RELATIONS, ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Supriya Lifescience Limited Q1 FY25 Conference Call.

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 "*" and then "0" on your touch-tone phone. Please note that this conference has been recorded.

I now hand the conference over to Ms. Prachi from Orient Capital. Thank you, and over to you.

Prachi Ambre: Thank you, Aditya. Good morning, everyone. On behalf of Supriya Lifescience Limited, I extend a very warm welcome to all the participants.

Before we begin the call, I would like to give a short disclaimer. This call may contain some of the forward-looking statements which are completely based upon our belief, expectations as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties.

With this, I would like to hand over the call to Satish sir – Executive Chairman and Whole-Time Director for his "Opening Remarks." Over to you, sir. Thank you.

Satish Wagh: Good morning, and a warm welcome to all the participants. Thank you for joining us today to discuss the Quarter 1 Financial Year '25 results of Supriya Lifescience Limited.

To take us through the results and answers to your questions, along with me are Dr. Saloni Wagh – Managing Director, Mr. Krishna Raghunathan – Chief Financial Officer, and our Investor Relations team, Orient Capital.

I hope everyone had an opportunity to go through the "Financial Results" and "Investor Presentation," which we have uploaded on the Stock Exchange and on our Company's website.

Let me begin with the highlights of Quarter 1, Financial Year '25, Financial Year Performance:It gives me immense pleasure to announce that despite the geopolitical uncertainties, supply chain disruption, and macroeconomic volatility, our business has demonstrated resilient performance. The Company has achieved a revenue of Rs. 161 crores, which is a 22% growth as compared to the previous year with a robust gross margin of 70% and EBITDA margin of 39%.

This strong performance is a direct result of our successful execution of the long-term sustainable strategy, which includes:

A. Enhanced market penetration and expansion into highly regulated markets, coupled with a broadened product portfolio within these regions.

B. Widening our product basket through the infusion of newer molecules and therapeutic solutions.
C. Securing an increased number of regulatory approvals while simultaneously focusing on backward integration to deliver high product quality.
D. Integrating manpower and leveraging technology to drive operational efficiency and achieve effective cost management.
E. Prioritizing R&D investments and ensuring supply chain stability.

During the year, the Company significantly strengthened its presence in the regulated markets, leading to a notable increase in revenue contribution from European region. In quarter 4, Financial Year '24, the European market accounted for 43% of the Company's revenue. This figure surged to an impressive 51% in Q1 Financial Year '25. Our customer base of 1,700 customers across 128 countries provides a strong foundation for our strategic shift towards the regulated markets, which is poised to enhance the Company's overall profitability by expanding into regions with stringent regulatory frameworks. We demonstrate our commitment to delivering high quality products and operational excellence with driving cost leadership in manufacturing. The Company has developed a pipeline of new products, extending beyond its long-standing expertise in anti-stimulants to include anesthetics, antianxiety, antidiabetic, and other therapeutic areas. These are the products scheduled for launch in the upcoming quarters. We also intend to expand our contract development and manufacturing organization, CDMO business portfolio with the addition of Module E, which will provide additional 500 KL of capacity. We are set to double our total capacity to 1,020 kiloliters by the end of September this year.

The forthcoming ramp up in capacity driven by our ongoing expansions will be a key catalyst for future growth. The Company is leveraging its relations with MNCs for business development. The performance we have seen over the last several quarters reflect the transition of our business model from being predominantly focused on prime APIs to a healthy combination of APIs and CMO, CDMO service.

With this, I hand over the call to our CFO – Mr. Krishna Raghunathan to share Q1 Financial Year '25 financial highlights with you all. Over to you, Mr. Krishna.

Krishna Raghunathan: Thank you, sir. Hello, everyone, and good morning. I will now share the operational performance of the quarter, and following which, we will open the floor for questions and answers.

The Company reported revenue from operations of Rs. 161 crores in Q1 FY25, as against Rs. 132 crores in Q1 FY24, registering a growth of 22% year-on-year. EBITDA in Q1 FY25 stood at Rs. 62.5 crores, as against Rs. 44.5 crores in Q1 FY24. And the EBITDA margin stood at 39% for Q1 FY25, as against 34% in Q1 FY24. Profit before tax was approximately Rs. 60 crores for Q1 FY25, as against approximately Rs. 43 crores in Q1 FY24, a growth of around 40%.

The PAT stood at approximately Rs. 45 crores in Q1 FY25, as against Rs. 28.5 crores in Q1 FY24. The PAT margin stood at 28% compared with 22% in Q1 FY24.

We have significantly optimized our working capital by reducing working capital days from 215 in Q1 FY24 to 168 days in Q1 FY25. This improvement is primarily driven by a substantial reduction in the inventory holding period from 223 to 167 days.

Our annualized asset turnover ratio has strengthened to 0.68 this quarter compared to 0.63 in the corresponding period last year. We continue to uphold a strong financial position with a debt-to-equity ratio of 0.01. Significantly, we have maintained a conservative approach to borrowing by utilizing only letter of credits and bank guarantees without tapping into the working capital limits.

Now we can open the floor for question and answers. Thanks to all of you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Parth Agrawal from Western Research. Please go ahead.

Parth Agrawal: I have 2 questions. So, sir, the EBITDA margin that we have for the top 3 APIs, for a new API that you are targeting, is the margin profile same or is it lower, higher? Can you just highlight that part?

Satish Wagh: So, let me tell you that Supriya Lifescience is working in the regulated market. Now regulated market, we all know that we will get the maximum returns. Whenever you go for a new API launch, it becomes a little difficult. You can't go in a regulated market. That time, you have to go to a non-regulated market, but it's a short term. Soon, again, it will achieve the same expected, whatever returns are there will be delivered to by us to the shareholders.

Parth Agrawal: Sir, considering that the future growth would more likely be driven by the new APIs, can we expect some margin compression, let's say for 2, 3 years, until the product matures for us?

Saloni Wagh: Yes, correct. Like he rightly said, our Chairman said that till the product mature in the more regulated market, there could be a slight compression in the margin, but the goal will always be to be present in the more regulated market.

Parth Agrawal: My second question was on the target market side. So, as per my understanding, whatever our traditional APIs were, the target market was relatively a smaller size compared to what we are currently targeting. Is my observation correct or wrong? Can you just comment on that?

Saloni Wagh: Correct, yes. So, now with the bigger capacity coming in and the module E going on stream by September, as our Chairman mentioned that we will be doubling our capacity. In this case, with the larger capacity, now we are targeting those molecules which do have a larger global market. So, we are slightly moving towards a larger global market, global volume kind of products.

Parth Agrawal: So, does that even increase the competitive intensity for you, which was not there previously?

Saloni Wagh: At this point, in fact, we are trying to go with backward integration. I think that is going to be one of our very strong points. Whichever products we have selected, by the way of backward integration, we will be able to make a significant difference in the market. And with this kind of backward integration up to KSM level, we are very confident that we will also be able to keep the competition out even in the newer products.

Parth Agrawal: So, in the newer products as well, you are starting with the backward integration. You're not just testing the market first and then based on the size, you will take backward integration. From day one, we are going for backward integration. Is that the case?

Satish Wagh: Supriya normally, whenever enters any API, they always consider backward integration, much lesser competition, new products, which can fit China, not manufactured in India at all. This is the strategy of Supriya Lifescience under the leadership of Dr. Satish Wagh.

Moderator: Our next question is from the line of Aditya from MSA Capital Partners. Please go ahead.

Aditya: Just a couple of questions. So, I understand the gross margins have expanded. But if I were to attribute between the increase to product mix or decreasing cost, what would be the attribution?

Satish Wagh: Sir, as I told you in the past, if you see the strategy very deeply of the Company, Company is born for the regulated markets business. Now, everybody understands, whoever is in this industry in pharma, regulated markets give you better opportunity, better profits. Nobody doesn't enter very fast. And the pharmaceutical industry is such that regulated market, whenever the customer changes the supplier's name and brings the new name, he is focused that in the next 5, 10 years, he is going to continue with the organization, he will not change the supply because today everybody is shaky on the supply side, quality side, and they need a constant good vendor who implements the good manufacturing practice. I am sure you understood now.

Aditya: No, sir, definitely. So can I say that this 69%, if not 69%, 65% is now the new steady state for the Company?

Saloni Wagh: No. So, like our Chairman said before also, see, a lot of the new launches of the new products that we are launching, they are coming in later half of the financial year. **(Inaudible) 14:19** so there will be some margin normalization which will happen. The current margins are there because like he said, mature products are doing really well in a regulated market. So, naturally there, the pricing for these products is much higher. So, once these new products come in, we will again have a normalized margin profile. We have always guided about 28% to 30% in terms of margin. However, looking at the current financial year, 30% plus is something what we see we will be able to maintain. However, a concrete guidance on how upwards of 30% this would be, we will be able to give post Quarter 2 results.

Aditya: And just a bit on the geographical front. So, Europe as a region has performed really well for us this quarter, but North America, the revenues have witnessed a sharp degrowth. Do we see an uptick because new and new products are being registered with the USFDA?

Saloni Wagh: Yes. So, a lot of the new products which we are going to launch there, the North American and the Latin American market size would be much larger as compared to Europe. So, once these products start contributing to the revenue, definitely you will see that the North America and Latin American market share will go up.

Satish Wagh: Sir, I think my statement which had come from my side, I think you have not carefully gone through it. I said the products which we are going to enter, will hit China. Did you understand? Will hit China. There will be no manufacturers in this country in India, it will be Make in India. So, for me, when I go to North America, Latin America, any part, I will be a strong alternative for the supply to China, to those people.

Aditya: And just last question, before I come back in the queue. When can we see the CMO revenues kicking in? And does this quarter have any CMO revenues?

Saloni Wagh: No. So, this quarter does not have any CMO revenue. We will start seeing the CMO revenues kick in probably by 3rd Quarter of this financial year. So, 3rd and 4th Quarter will have some revenues from some of the CMO contracts. From next year onwards is when you will start seeing larger contribution from CMO opportunities.

Moderator: Our next question is from the line of Jay Shah from JS Family Office. Please go ahead.

Jay Shah: Congratulations Dr. Wagh for really creating an alternative to China. I just want to ask 1 question that we are going ahead with the CDMO expansion. What is it that the management also sees when we are being approached by a client? And even what is it that the client sees when they approach Supriya for a CDMO contract? Let's say from Supriya's side, I understood Ms. Wagh's comment that backward integration is one of our strong points. But what is it that we would also be comfortable when onboarding a client? Some qualitative aspects on both sides from you and from the client.

Saloni Wagh: **(Inaudible) 18:08** reputation of this Company. **(Inaudible) 18.15** we already have a set reputation in the market because when you work with these kind of multinationals, they already have very high standards in terms of quality, in terms of EHS. So, if you're able to qualify with them, pass their audit, it sets a very right tone in the market that you have the right kind of quality, regulatory and EHS approvals internally. So, that is definitely one thing that we look at.

The other thing that we look at is also the quantum of the business. If we will be able to take that product into our facility, how well it goes with our line of technical capabilities. And do we have the right kind of backward integration capacity also created? So, these two are the bigger quality aspects that we look at while onboarding any new customer.

Jay Shah: And second question is in this new facility that you are trying to start within the Ambernath CDMO division, would it be fair to say that there would be product fungibility as well as chemistry fungibility in that setup? Or it would be dedicated to a few products or a few chemistries?

Saloni Wagh: So, at this point, we have multiple lines set up there. This is going to be for finished formulations, contract manufacturing and contract development. We have multiple lines there, like injectables, bottling line, tablets and capsules. Within the line, yes, there is product fungibility that we can use it for multi different kinds of products. So, this is the kind of capacity what we have created at Ambernath currently.

Moderator: Our next question is from the line of Jay Shah from SKV Securities. Please go ahead.

Jay Shah: So, my first question would be, what is the total revenue generated by our top three APIs? And given that you've previously indicated that the top 3 products contributed approximately 44% to 45% of revenues in prior quarters, so what is the status for those in this quarter?

Saloni Wagh: So, unfortunately, we will not be able to speak at product level or therapy level in today's call. But we have always been saying that the new product addition will derisk the portfolio. So, definitely you will see a more robust portfolio moving forward.

Jay Shah: My second question would be, could you also quantify the contribution of CMO and CDMO operations to the Company's overall revenue for the quarter? And what percentage do we expect this to reach in the future?

Saloni Wagh: So, at this point, like I said in my previous answer, in this particular quarter, there is no contribution from CMO, CDMO. The contribution will start coming in in the later half of the financial year. We anticipate moving forward, let's say in the next 3 to 4 years, CMO should contribute about 20% of the total revenue.

Moderator: Our next question is from the line of Jagvir Singh from Shade Capital. Please go ahead.

Jagvir Singh: Sir, my question is related to China. So, are we seeing any uptrend in the Chinese market?

Satish Wagh: Sir, basically, we will tell you. We are going to work in the regulated market. China, yes, there is. But many of the products which we continue and going to have in the future, it is observed that the suppliers who are supplying all over the world does not even carry a qualification of GMP, not even ISO, but people continue to buy because there is no second sources. But since Supriya has a good opportunity while discussing with various of friends or various of companies, that it's a USFDA plant, it's GMP, CGMP plant, WHO plant. So, opportunities are coming more and more. And we would work for profits in the markets.

Jagvir Singh: And sir, second question is to two to three years back that China was the big market for us. So, now European market is however a bigger pie. So, will there be any change in the cycle basically like earlier H2 was bigger than the H1? Is there any change now in this?

Satish Wagh: Sir, strategy of the Company, as I told you, we don't concentrate any market. We concentrate in getting more and more EBITDA and profits. For that, we have a regulated plant. So, we try to utilize maximum the plant for getting better performance and better returns.

Jagvir Singh: But my question is earlier H2 was always bigger than the H1. So, is there any change in this trend or is it likely to continue?

Krishna Raghunathan: H2 better than H1, will it be?

Saloni Wagh: Yes. We actually are seeing a very positive trend in terms of revenue growth as well as margin profile. So, definitely you will expect positive growth in terms of revenue as well as margins moving forward as well.

Satish Wagh: Sir, here, I will give you some more information because I think when I was talking, whether you listened or not, I don't know. We are going to concentrate, or we have been concentrating on make in India process, which is currently only supported and given the material from China. We are going to fight with China, not with any Indian Company. And the chemistry is China, we should fight and get the performance. For that, people are interested with a GMP USFDA plant rather than non-GMP plants of China. So, opportunity is huge, and the future is great. Today, also I hold more than 70% stock with me. I am very happy that we will do good work, a good job, which will deliver good results in the market.

Moderator: Our next question is from the line of Nirali Shah from Ashika Stock Broking. Please go ahead.

Nirali Shah: Just 2 questions I have. We are looking at CDMO and CMO opportunities and we already have one contract something like DSM. So, we were examining ways of the opportunities as well from this, something similar to DSM. So, any color on that specific details that we have now?

Saloni Wagh: So, the DSM contract is moving really well. We are in the process of registration of the products in Europe and Japan market as well as other regulated markets like US. So, once all these registrations come, we already have supplied to them smaller volumes for their food grade requirement. Once the registration comes, you will see a good scale up happening from the DSM contract.

Nirali Shah: Also apart from the DSM contract, some other opportunities that we were discussing for some of the advanced intermediates.

Saloni Wagh: Correct. So, there are many other opportunities which are there. Two of them are at an advanced stage. We should be able to announce at least one of them hopefully by the next quarter because

we are expecting some validation volumes from this particular contract in the next quarter. So, definitely there will be some positive news coming.

Nirali Shah: And any update on the status of Health Canada's audit and your clearance for ketamine hydrochloride, any recent developments or any kind of expected timeline?

Saloni Wagh: So, no, we recently had Health Canada joint audit with EDQM online, which happened in the beginning of last year, which we have already cleared. So, we have no further notification from Health Canada. Of course, USFDA and NMPA China, we are expecting in the latter half of the year. But you know, it's a part of our regular routine compliance. Our last USFDA was at a 48 hours' notice and we were able to clear that as well. But as such, no other audits are there.

Moderator: Our next question is from the line of Ashish from InvesQ PMS. Please go ahead.

Ashish: Yes. From your presentation, I could make out that there is a marked improvement in the working capital components. So, is that one -off or is this sustainable kind of improvement that we have seen? And what do we read from this? I mean, has the market become better for us to command better terms or something like that? Or is it just one-off?

Krishna Raghunathan: See, when it comes to working capital, see, right from last March, I think we have been having some sort of better numbers every quarter. And in fact, last quarter where it was the lowest, we always attributed that the inventory days will be somewhere around 150. And as of this quarter, it's around 167 days. I think this is a number which we will have to control very diligently because when it comes to working capital, both the receivables and payables, I think, are all in a controlled manner for me. And since we deal with a lot of narcotic products, we do get a lot of money in advance. So, technically my receivable is on better shape. And when it comes to payables, of course, we have been paying all the vendors on time. So, we do get around 90 to 120 days credit period, which is always happening. So, the major part is something which is inventory, which we have been concentrating well, right from last March that we will improve, which has been our commitment to the market, which we are doing it in a better way. That's it.

Ashish: I think the numbers that are given are for March '24. So, quarter-on-quarter, would it make sense to observe that or it is pretty different across quarters or quarter ends actually?

Krishna Raghunathan: See, I think if you want to look at it, it is better to look at it at a year-end where every of the number, what do you call, where all the year-end achievements will also be taken into consideration. I would suggest that you can look at it at a year end, but yes, quarter end numbers also, see, we internally check every quarter end also, but for market, I think you can have a look at every year and that's it. That would be making more sense to you.

Ashish: And you mentioned that margin something like 30% plus, I mean, I think we've been maintaining EBITDA margins of 30 plus percentage to be a normal expectation that one should have. But Q1, we saw year-on-year 500 basis points plus of improvement. So, is that kind of YoY

improvement what one should expect this year? You, I understand that you gave some comments that beyond Q2, you will be able to give some guidance on that, but is that a trend that one should expect that kind of improvement 500 basis points, YoY?

Saloni Wagh: So, no, like I said before also, this kind of EBITDA margin profile is because of more penetration into regulated markets. With the newer product launches coming in, in the latter half of the year and their concentration being in more semi-regulated markets, we expect the margin to sort of normalize. Like I said, the 2nd Quarter would be a better time for us to give a concrete guidance, but definitely it would be (+30%).

Ashish: That would be the same then, 30% is the same as last year. So, improvement would be higher.

Saloni Wagh: It would be higher definitely than 30%.

Satish Wagh: Sir, I will add something. You should be happy when I said that first time manufactured in India against China. So, the price war is not there at all. There is a supply. The supply which is being created all over the world comes from non-GMP, non-ISO plants. So, today, when a GMP, USFDA, ISO, every criteria holding plant comes, don't you think every customer will jump for that for the safety? So, that is what is happening. So, I am very hopeful that we will continue in this direction because we are here to work with only regulated markets. The ratio between 100% of production is 90% today. So, when you sell in 90% market, you can understand that regulated in the area will give you more money because they want to create a secure vendor for their future supplies. And whenever a vendor is created, it is at least for 10, 15 years. It's not a short gap. Nobody will change only on price, but consistency, quality, integrity. These are the 3 words involved.

Moderator: Our next question is from the line of Tushar from MK Ventures. Please go ahead.

Tushar: So, one of the slides in the presentation highlights 18 DMFs submitted to USFDA, and 9 CEPs granted. Management has also alluded that we expect a lot of new product launches in the second half. So, maybe if you can share more details qualitatively or maybe on specific products, what kind of launches are we expecting as well as which markets? And also, in the last year, as well as last 4 quarters, we have, I believe, launched a few products in some regulated markets. Maybe some comment on the performance of those and whether the overall revenue buoyancy can be attributed partly to some of these launches.

Saloni Wagh: So, in the new product launches, we are looking at therapeutic categories like anti-anxiety and anesthetics. We want to focus and expand our basket in this product range and antidiabetic. So, these 3 are the new therapies what we are introducing in our portfolio. Most of these launches are going to happen towards end of this financial year. But these are like our Chairman said that these are very large volume products globally where most of the customers today are single-sourced out of China. So, this is going to be a very big opportunity for us. And we are very confident that moving forward, some of these products will really contribute well in terms of

revenue and margin. Once the module E is fully operational, then we will also have the additional capacity to scale up these products. So, that is why you will see significant impact of these coming in only in the next financial year. Although they will start generating some small revenue in the third and the 4th Quarter, but the full impact you will be able to see in the next financial year only. So, this is as far as the new product launches are concerned.

Tushar: And then on the products that have been launched in the last 3or 4 quarters or so?

Saloni Wagh: So, the products which we have launched, we have only launched 1 or 2 products in the last quarters, but currently with most of the customers, we are under validation stage. But we are getting good traction of these products. For these products also to show full impact, we will at least need 1.5 years for them to start significantly contributing to revenue. But the ones which we have launched recently are low volume kind of high value products. But the ones which will come in the second half of the year, they will, I think, be the larger impact making product for us moving forward.

Tushar: And how many such launches, ma'am, are we expecting this year? Maybe 3, 4 launches or lesser or more?

Saloni Wagh: Two product launches we are expecting end of this year.

Tushar: Second, my question on the, I think we had mentioned in one of the previous disclosures about the new molecule that we've taken in CDMO or CMO for a large global player. Not the DSM contract, but another contract that you had mentioned. I think anesthesia or in that category only. Maybe if you can just highlight any progress made on that and what should we expect?

Saloni Wagh: So, we are on track for this particular project as well. Currently, this is in a pilot stage. So, we are just completing validation for this project. Again, the timeline for this one also remains the same. Maybe in quarter 3 of this financial year, we will start seeing some smaller volumes from them on the validation front. Like I said before also, probably end of Quarter 2, we will be in a good position to make some positive announcements on some of the newer CMO contracts that we are signing.

Tushar: Can you also highlight any progress on the whey protein contract, supplies related to that?

Satish Wagh: I will highlight, Tushar. See, whey protein, we were requested to go for FSSAI license. We got the FSSAI license, but after that they said you go for the FSSAI license for the manufacturing and exports. That had just received 2 days back. So, now the discussion which we were doing for exports, that discussion has already started with the customers, and we are sure in a couple of days, things will start moving.

Tushar: So, in that case, with the new launches as well as some traction in some of our existing contracts, can we say that there is a possibility of an upside risk on the 20% revenue guidance that we broadly maintained for the medium term, say, this financial year and next year?

Saloni Wagh: Correct. So, the 20% revenue guidance definitely is more on the conservative side. With all these newer contracts and newer launches kicking in, there is definitely a scope for us to do much better.

Tushar: And one last, if I can, squeeze in. While we expect that with the new product launches being in semi-regulated markets to start with, we will have maybe some moderation on the margin. But given that they will add to the revenue as well as some operating leverage maybe on the existing facility, do we expect that the overall EBITDA numbers should continue to trend upwards from here broadly, given the quarterly variations apart?

Saloni Wagh: Correct. So, like our chairman said, yes. Definitely you can expect the EBITDA trend to be upwards.

Moderator: Our next question is from the line of Rehman Khan from Old Bridge Capital. Please go ahead.

Rehman Khan: Just had one question regarding the Ambernath facility. Is it still operational? What are the activities being done there, et cetera? Can you just highlight some points on that?

Satish Wagh: Sir, Ambernath facility is under, currently, validation. Some of the equipments which have come, they are getting under validation. It will take at least a minimum of 2 months to start production. But hopefully, within the next 60 days, it will go on stream. Not fully, partially keep on going.

Saloni Wagh: And just to add to what our Chairman said, the Ambernath facility, we will be focusing on CMO, CDMO kind of opportunities in the finished formulation side. So, we have set up a very large bottling line, tablets, capsules, as well as an injectable line. We also have set up in the Ambernath facility an R&D, and this R&D will be focusing on contract research kind of projects. We will also be developing some of the newer APIs which we want to add in the future. The development of these will also happen at the Ambernath R&D. So, this is what we have planned out of the Ambernath site.

Rehman Khan: And just to add on that, I believe in the last call, there was about Rs. 100 crores allocated for FY25 for the CapEx for Ambernath. Is that going to be the same or are there any changes?

Krishna Raghunathan: See, as of now, the CapEx allocated for Ambernath would be somewhere around Rs. 75 crores. If you add up all their last 3 quarters Board resolution numbers, it'll add up somewhere to Rs. 75 crores to Rs. 78 crores. I think that would be the number which we are looking at. See, the Ambernath already had around Rs. 30 crores, Rs. 40 crores of building which we had already

done. So, with all these things, I think it should be somewhere in the range of Rs. 130 crores would be the total outlay in Ambernath.

Moderator: Our next question is from the line of Aditya from MSA Capital Partners. Please go ahead.

Aditya: Just wanted to quickly check, so the existing Lote Parshuram facility, USFDA was supposed to come for an audit in October. What is the progress there? And second part would be the Ambernath facility. So, when you're saying that it'll be commercialized in Q2, have you already registered with all the health authorities like EDQM and USFDA?

Saloni Wagh: So, for the Lote side, we are expecting USFDA audit end of this year. So, that is when it will happen. And for Ambernath, like we said, it is still under validation phase. So, once we bring it to commercial production, we will then initiate the local authority certification, which is the WHO GMP and the local GMP. Next year, the beginning is sometime when we will trigger USFDA or EU inspection for this particular facility. So, you can expect that the clearance will happen beginning of the next financial year.

Aditya: And just a bookkeeping question. In Q1, what would be our exports revenue and of that, what would be the revenue from regulated markets compared to last year?

Krishna Raghunathan: I think if you could see in our export, around 84% of our total revenue would be exports. And I think last year, I think would be around a similar number, around like 80% would be the number on average.

Aditya: And of this, how much would be regulated markets this quarter compared to last year quarter?

Krishna Raghunathan: Regulated last year would be somewhere around 45%. This year, it would be somewhere around 54%.

Moderator: Our next question is from the line of Sahil from M&S Associates. Please go ahead.

Sahil: I just had a couple of questions. Can you help us understand the current market size of our top 3 APIs? And what value do we get for these APIs and what is the overall outlook going forward?

Saloni Wagh: So, in this forum, we would not be able to speak anything product specific. So, sorry, we will have to refrain this question.

Sahil: My next question is, I don't know if this was already taken, I was away for a while. Can you help us understand how are the ongoing CMO, CDMO contracts and the size of these contracts?

Saloni Wagh: So, like I said before also, we already have 2 CMO contracts in place. The DSM Firmenich is one. We already have started supplying them for their validation quantity and some part of their food application demand. Once the right to first approvals come in place, which we are expecting

we will start on Firmenich side. And we will start generating revenue in this financial year. We have about 2, 3 opportunities which are at the final stage. So, like I said before, by the end of Quarter 2, we should be in a position to make some positive announcement on some of the other CMO opportunities, also some signing of these. And in the next 3 to 4 years, we anticipate that CMO, CDMO should contribute 20% of our total revenue. On the conservative side, if the Ambernath FD & CMO also kicks in the way we are anticipating, it could definitely be higher.

Sahil: Thank you for the detailed response. My last question would be, can you provide some idea about the newer molecules that Supriya is tapping into? And how many of them are in the process of getting approvals?

Saloni Wagh: Also, like our Chairman said, as a strategy, we are focusing on molecules where there is a very high dependence on China and where the global customers are currently single source. So, we are expecting at least 3 or 4 products in this category, anesthetics, antidiabetics, and antianxiety are some of the therapies what we are focusing on. So, we are expecting these launches to happen end of this financial year.

Satish Wagh: Sir, I will just add to that. When I said that these products are, whole world is buying where there is no GMP also, but the world is forced to buy. So, you must understand, I am a qualified manufacturer with a lot of accreditations. So, people will definitely come to me because they are safe, having the process of every product, good manufacturing practice.

Moderator: Thank you. Our next question is from the line of Hardik, an individual investor. Please go ahead.

Hardik: Sir, my question is, I want to know what is the update on that mouth cancer kit?

Saloni Wagh: So, the oral cancer kit, we have just applied for the patents in multiple countries. We have just applied for the patent in Korea, Taiwan. We will now soon be applying in Thailand because we are getting a lot of active interest from these markets. Locally also, of course, we already have the patent in place and the clinical trials will begin very soon. But the export market is what we are targeting. We expect that in the next 1 to 1.5 years, we should be granted the patents in these particular markets where the potential is much higher.

Hardik: So, in terms of revenue, what would be the potential size that we will benefit out of this?

Saloni Wagh: So, at this point, it is too premature to talk in terms of revenue because this is a very novel technology where first time some Company is going to launch. Globally, there is no like-to-like product. So, it would be too premature to talk about revenues. But definitely in the next coming quarters, we will have concrete revenues in place that we will be able to share.

Hardik: And complete commercial production process would take a few quarters, right, as I understand?

Saloni Wagh: It will take a few years, at least 2 years is what we are anticipating.

Moderator: Our next question is from the line of Shubham from Purnartha Investment Advisors. Please go ahead.

Shubham: Hi, sir. Can you share some detail about Brazilian opportunity?

Satish Wagh: See, Brazilian after the audit and approval of Brazil government, the authority, we are talking with our customers recently. Last 10 days back, we were in Brazil and Mexico, more and more discussion. We have seen opportunities for the new products and the current basket to increase. And I am sure it will be done because the government has already given a last ultimatum to every formulation manufacturer in Brazil that every product which comes to their country, there should be a GMP certificate. If not, then the source has to be changed. Otherwise, that product will be stopped. So, there is an ultimatum for them. So, we have good opportunities. We have discussed this with our customers and come back just 48 hours back only. So, we are definitely going to increase our basket in Brazil and Mexico market.

Shubham: So, when can we expect some revenue from Brazil market?

Satish Wagh: Already revenue is coming. There is no new revenue. We are present in Brazil for last 18 years. If you see, every year it is increasing. Only the question was some of the APIs approval and the new notification of the government which came into force were very quick within a span of 1 year. We've already done the audit. So, I am sure that the things will improve, and the companies will be forced to take their decision for changing the source because the government has given ultimatum that if you don't do it by December 2024, the things will not come from the non-GMP plants from China. And with the 38 years' experience widely traveling all over the world in China also I have seen, there are manufacturers who do not have even GMPs but selling all over the world. So, the new things will start moving. I am sure we will have good opportunity, and we will definitely take the advantage of that particular notification of Brazil government.

Moderator: Thank you. In the interest of time, this will be our last question. On behalf of Supriya Lifescience Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.