SUPRIYA LIFESCIENCE LTD.
Creating true values that bind global health

Date: November 4, 2024

To,	To,
BSE Limited	**National Stock Exchange of India Limited**
Phiroze Jeejeebhoy Towers	Exchange Plaza, C-1, Block G
Dalal Street,	Bandra Kurla Complex
Mumbai – 400 001	Bandra (E), Mumbai – 400 051
Scrip Code: 543434	**Scrip Symbol: SUPRIYA**

Dear Sir (s),

Subject: Transcript of the Earnings Call for the quarter and half year ended September 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, October 28, 2024 at 03.30 P.M. IST to discuss operational and financial performance of the Company for the quarter and half year ended September 30, 2024 (Q2 & H1 of FY 2024-25).

This is for your information and records.

Thanking you,

Yours faithfully,
For Supriya Lifescience Limited

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SHIVDHARI
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Digitally signed by SHWETA SHIVDHARI SINGH
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Company Secretary & Compliance Officer
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SUPRIYA LIFESCIENCE LTD.

"Supriya Lifescience Limited Q2 FY25 Earnings Conference Call"

October 28, 2024

SUPRIYA LIFESCIENCE LTD.

orient capital

CHORUSCALL

MANAGEMENT: **MR. 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
MODERATORS: **MS. PRACHI AMBRE – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Q2 FY25 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 Ms. Prachi Ambre from Orient Capital. Thank you and over to you, Ms. Ambre.

Prachi Ambre: Thank you, Shlok. Good afternoon 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 beliefs, expectations as of today. The 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 & Whole-time Director for his opening remarks. Over to you, sir. Thank you.

Satish Wagh: Good afternoon and warm welcome to all the participants. Thank you for joining us today to discuss the Q2 & H1 Financial Year '25 Results of Supriya Lifescience Limited.

To take us through the Results and answers to your questions along with me, 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 website.

We are excited to share that Q2 Financial Year '25 has been another successful quarter for us. Revenue surged 19% year-on-year to Rs. 166 crores. We have achieved an EBITDA margin of 39% and a PAT margin of 28%. Underscoring our operational excellence and strong financial performance, Supriya Lifesciences Limited is committed to strengthening its position as a strong API manufacturer.

Our strategic focus remains on expanding our product portfolio while enhancing our presence in regulated market and maintaining robust margins. Over the years, Supriya has transformed from a generic OTC provider to an innovator within high margin regulated markets.

Our export contribution has increased to 83% in Q2 Financial Year '25, up from 81 in Q2 Financial Year '24. LATAM has shown strong growth with its share increasing to 19%, this quarter from 13% in the same period last year. We have also seen positive momentum in other regions, including North America and Africa, further driving our global expansion. Our diverse customer base of 1,700 plus clients across 128 countries provides a strong foundation for our strategic shift.

We have developed a promising pipeline of new products that extends beyond our expertise in anti-stimulants, incorporating anesthetics, anti-anxiety, medications, anti-diabetic and more. To further accelerate our CMO and CDMO business, the new formulation facility in Ambernath has already started commercial production from Q4, Financial Year '24. Additionally, the validation of module E is underway with commercial production anticipated by Q3 Financial Year '25. Upon successful completion of this capacity, revamping our total production capacity will nearly double, reaching approximately 1,020 KL. We are confident in achieving our (+20%) revenue growth guidance maintaining strong margins. We expect this year to be our highest in terms of EBITDA and PAT margin compared to previous years.

Our goal is to double the revenue to Rs. 1,000 crore by Financial Year '27 focusing on high margin niche markets. We remain committed to expanding exciting molecules in regulated markets and fast track the commercialization of new products. As we transition into a leading API manufacturer with exceptional capabilities, we are leveraging CM opportunities to diversify and strengthen our revenue stream.

I will now hand over to our CFO, Sri Krishna Raghunathan to present the financial highlights of Q2 Financial Year '25.

Krishna Raghunathan: Hello, everyone and good afternoon. I will now share the "Operational Performance" of the quarter and following which we will open the floor for questions-and-answers.

In Q2FY25, our revenue from operations rose to INR 166 crores, reflecting a 19% year-on-year growth from INR 140 crore in Q2FY24. This momentum carried through the first half of Financial Year '25 with revenue reaching around INR 327 crore, a 20% increase over INR 272 crore in H1FY24. Our EBITDA performance was also impressive with Q2 FY25 EBITDA doubling to INR 64.7 crore from INR 31.7 crore in the same quarter last year, resulting in an EBITDA margin of 39% up from 23%.

For H1 FY25 EBITDA reached INR 127.3 crore, a 68% increase compared to INR 76 crore in H1 FY24. On the bottomline, PAT nearly doubled in Q2FY25 reaching INR 46 crore compared to INR 24 crore in Q2FY24. Our PAT margin for the quarter improved significantly to 28% up from 17% a year ago. For the first half of FY25, PAT was INR 91 crore, a 73% increase from INR 52 crores in H1 FY24 with PAT margins reaching 28% up from 19%.

Our annualized asset turnover ratio has strengthened to 2.2 this quarter compared to 2.1 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 working capital limits.

Now we can open the floor for questions and answers. Thank you, all of you.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question comes from the line of Aditya Pal from MSA Capital Partners. Please go ahead.

Aditya Pal: I wanted to quickly understand from you that we've got 15 products that are now backward integrated. They generate 74% of our revenues and this has sharply improved from 69 last quarter. Wanted to understand from you, is that the reason that our gross margin improved significantly. And a sub point to that would be that are all these backward integrated products that the 15 products that we've highlighted, are they all registered in regulated markets?

Saloni Wagh: Yes, backward integration definitely helps in improving the margins because we do not outsource any advanced intermediates from outside. We make our own advanced intermediates right from the basic stage. So, backward integration definitely helps in bringing the cost down. One of the other reasons also for the margin improvement is you know better penetration into regulated market. If you see for most of the regulated markets like North America, Latin America, and Europe, our sales has gone up. So, penetration into regulated markets where the average selling prices for the products are higher also adds to the margin improvement. Yes, most of the products that we manufacture about 15, they are fully backward integrated and most of these are already present in regulated markets. However, we are still expecting USDMF, we are also expecting registration of some of these products in markets like Japan, Europe. By hopefully quarter two of next year, we should mostly have CEPs and USDMF for all the products. But yes, the 15 products are mainly into more regulated markets

Aditya Pal: I also wanted to know, so you all went for the CPHI Milan conference and I was seeing the banners of Supriya on LinkedIn also and phenomenal, I would say, the entire team that went with you. So, wanted to know how was the trip, what was the feedback that you received from the formulator, from the innovator that came there. Any new takeaways from the trip?

Saloni Wagh: I think the show was a great opportunity to showcase all the new products that we have launched. We have had a very good presence in CPHI for over 20 years and all our customers have also seen the growth happening in the company. We had a lot of new products coming up in our portfolio from anesthetic, anti-diabetic categories plus the launch of our new Ambernath site which is focused on contract manufacturing for finished formulation. So, a lot of new opportunities are on the cards. They have been approached by a lot of new companies for the newer products, as well as for some of our existing products we are seeing great traction in regulated markets. All in all, I would say that the show was a very successful one for us, and you can see the commercial implications of the show happening in the next coming quarters.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: I have a few questions. If you could tell us the capacity utilization pre and post this expansion that is being undertaken? My second question is whether the cost of the expanded capacity, 1,020 kiloliters, is it a part of P&L or is it going to be a part of P&L?

Saloni Wagh: So, I'll answer the first part of the question. Before module E got introduced, we were at almost 550 KL capacity. And our capacity utilization was upwards of 76%, which is the optimized capacity utilization, considering that it is a multipurpose facility. The module E has just been added. We have completed the validation. We are expecting to start the commercial production in quarter three. So, once that is done, it would take us at least one and a half to two years to have maximum utilization of this new added capacity. And for the second half, Krishna will answer.

Krishna Raghunathan: Basically, when it comes to the cost of module E, see, there could be another couple of crores which can get added up to the P&L as of now. There would be what do you call around 30-40 personnel which we might add and the power cost which will increase. Basically, we also see a saving in power cost overall because we have already initialized solar power for the plant and that will give us some bit of a saving which has already started. So, to answer your question, yea, might be a couple of crores on the OpEx front can get added up apart from EBITDA on the power side.

Pritesh Chheda: Couple of crores per month, couple of crores per quarter?

Krishna Raghunathan: Not per month, it would be per quarter.

Pritesh Chheda: So, in your last call you had mentioned that your H2 will be better than H1. So, are you sticking to that thought process or there is any change there? On the topline, yes of course we will have an improvement when compared to H1. And what about margins?

Saloni Wagh: On the margin front also, definitely we think like our chairman said in his speech also, in terms of the absolute EBITDA value and the PAT value, we definitely think that this would be our best year so far.

Pritesh Chheda: So, basically H2 should be better than H1 on an overall basis?

Krishna Raghunathan: Yes.

Pritesh Chheda: And my last question is, when you look at the half yearly margin number and when you look at your commentary for H2 versus that you guys have given a guidance of 30% only in the EBITDA margin? So, how should we read both these statements?

Saloni Wagh: So, we have also informed this after our first quarter results that we are definitely expecting better margin profile for the rest of the year. Quarter-on-quarter margin variation will be there because it is purely a function of product mix and geographic mix. But like I said, if you look at

the annualized number in terms of the absolute EBITDA and PAT value, it will definitely be our highest so far.

Pritesh Chheda: And this expanded capacity of 500 KL, can you help us with the utilization ramp up possibility year one, year two, year three and what is the total revenue potential out of this capacity?

Saloni Wagh: So, revenue potential at this point, I will not be able to say because it depends on the product that we are going to put in this plant. But it will take us at least two years to get to complete utilization of this new module. It will start the commercial production will start in quarter three.

Pritesh Chheda: So, two years means should we say FY27 where you reach the full utilization?

Saloni Wagh: Yes.

Pritesh Chheda: On an exit quarterly basis '27 or full year basis 27?

Saloni Wagh: On two-year basis by '27, by end of FY27 we will be able to utilize full capacity of this new…..

Pritesh Chheda: so that means exit quarterly basis. Exit quarterly FY27 will be a full utilization?

Saloni Wagh: Yes.

Moderator: Thank you. The next question is from the line of Nirali Shah from Ashika Stock Broking**.** Please go ahead.

Nirali Shah: I have two very good questions. First one is on the Brazil. So, we were registering some 8 products in the Brazil geography. So, any update on that registration status? And if you could add on any color on the market opportunity for these products in quantitative terms?

Saloni Wagh: Yes, so like we have mentioned in the past also, the Latin American market is one of our focused markets and we have done extensive registration in Brazil for at least 9 of our products. We even cleared the ANVISA audit without zero observations beginning of this year. And you can see the revenue growth happening in the Latin American market. It has gone up from 9% to almost 19% in this quarter. And you can expect a similar trend moving forward also when some of the other products also start getting traction.

Nirali Shah: Just one more on the cancer detection. So, has any progress on the clinical trial? I guess we had an identified partner also. So, is there any progress on that?

Saloni Wagh: So, yes, at the moment, we are in the process of filing all our international patents. So, we have already selected a first cut of countries, countries like Korea, Thailand, Indonesia, Philippines, where we are now filing the patent in those respective countries. Also, we expect that this activity would be completed in the next 2 or 3 months, after which we will start with the clinical trials and all the other related information. So, in the next 2 to 3 years, you can expect the

commercialization of the project. But yes, it is very much on track and the filing of the patent has already started in a lot of other markets other than India as well.

Moderator: Thank you. The next question is from the line of Aditya Pal from MSA Capital Partners. Please go ahead.

Aditya Pal: I was trying to reconcile the capacity that is there in the presentation, as well as that you were discussing that capacity will be increased to 1,020 KL per day. So, I am not able to reconcile. Can you help me with the numbers?

Saloni Wagh: So, it is approximately 550. Currently, our capacity out of the A, B, C, D blocks where we are operating, it is approximately 540 KL. And then we are adding about 400 odd KL capacity with the new module E which is coming in. And then we are also adding the Ambernath site which is about 70 KL. So, all in all put together, it would be about 1,020 KL in terms of capacity.

Aditya Pal: I'm getting thousands with all the numbers that I have. Alright, I'll take this offline with you, so that's not an issue. Just another data point that I wanted was that, so 83% from exports, if I were to bifurcate it between regulated and semi-regulated market, what would be the split?

Saloni Wagh: So, for us, approximately 50% to 51% would be regulated markets, and then the balance would be the semi-regulated markets and a little bit of the domestic market. But over 50%, I think about 52% or 53% is regulated.

Aditya Pal: Understood. One last question that I had was trying to understand the raw material status of Supriya. So, which would be that one key raw material that Supriya requires to start because we are backward integrated, so we are not really reliant on the inputs. But if I were to say, one key raw material that you need to start production?

Saloni Wagh: No, so for us, if you look at our product portfolio, and it is also one of our key strengths, it is very diverse in terms of the processes we are able to handle in-house. There is no one common raw material that there is a high dependence. Each product has its own starting raw material, and we are backward integrated up to the basic chemical stage. I mean, mostly these basic chemicals are available across different industries. They are not very specific to pharma as well. So, they are cheaply and widely available across the globe. So, as such, I would not say there is any dependence on any key starting material for us.

Moderator: Thank you. The next question is from the line of Richa from Equitymaster. Please go ahead.

Richa: So, my question is, if you could share some updates on how CDMO and CMO opportunities are shaping up, I think you had earlier mentioned that there would be some revenue contribution from third quarter. So, what kind of visibility do we have for this year and maybe for the next 2, 3 years from this CDMO-CMO phase?

Saloni Wagh: So, the CMO-CDMO opportunities are moving fairly well. We already have started seeing some contribution from one of our European CMO opportunities which will get reflected in Quarter 3 of this year. So, overall they are moving well. The full effect of the CMO-CDMO, you will be able to see in the next 2 years. Our anticipation is that in the next 3 years it should contribute closer to 20% of the total revenue.

Richa: And my second question is that your guidance for EBITDA margin had been in the range of 28% to 30%. And that is conservative as compared to what we have seen in the recent quarters. Is this because you expect the share from regulated markets to come down over next 2 to 3 years? Or what is the reason for that conservative guidance?

Saloni Wagh: No, actually after the first quarter earnings call, we have already said that we would like to revise our margin guidance. It will definitely be higher than 28% to 30%. Like I said, in what range of 30s it would be, it completely depends in that quarter on the product mix and the geographic mix. But what we would like to say is that in terms of the absolute EBITDA and the absolute PAT value, you will definitely see a growth from this year onwards.

Richa: And can you also share, after this year, what is the plan for CAPEX? Is there any meaningful CAPEX plan by the company or budgeted so far?

Krishna Raghunathan: The current year, we will be closing the module E and Ambernath facility. And I think beyond which we might have to take up the module A, B, C for our repairs. I think which would be to the tune of around Rs. 100 crores, which will be taking it over phases. I think that is something which we are planning at this stage and the best of it would be the normal CAPEX, which would be the maintenance CAPEX for the existing modules, that's all. Other than that, we don't anticipate. The next wave, if at all if it has to come would be the next level of expansions in Patalganga. That would be something which we would be looking at around another 2.5 to 3 years down the line is what we are thinking.

Richa: And so my last question is that for FY27 you shared a guidance of Rs. 1,000 crores. Does that include any contribution from oral cancer detection kit and Scar-Free gel? And if not, how is that shaping up both these areas and by what year can we expect any kind of significant breakthrough or developments in this regard?

Saloni Wagh: So, no, it does not include any projections from the oral cancer kit. As of now, we don't have any projections in hand because this is still in clinical trials, but definitely the overall global market for cancer detection kits is very large. So, we can expect some commercial revenue to start coming in the next three years' time. And right now, we will not be having any number to give you. But it will take at least 3 years for this product to commercialize.

Moderator: Thank you. The next question is from the line of Prateek Kothari. Please go ahead.

Prateek Kothari: Ma'am, one question. So, when we say backward integrated, how do we define that or how backward integrated are we and where do we start when it comes to any molecule that we do?

Saloni Wagh: So, backward integration means that we do not rely on any advanced intermediate outsourcing from outside. In API, usually N minus one is equivalent to a final product. Most of the API manufacturing companies before COVID, they were outsourcing N minus one or N minus two and then only doing one or two stages in-house. Once you are getting the N minus 2, N minus 1, it is as good as you're getting the final product and just doing the powder processing, which is the final step. In this case, you have very little control on the costing of the product. In our case, we are backward integrated all the way up to the key starting raw material level. So, in many products, we manufacture in-house as much as eight or nine steps. So, basic raw materials, which are the basic inputs in our product. These are available cheaply and widely. And these are just basic chemicals, not only restricted to the pharma industry. So, as such, there is no scarcity, shortage, or dependence on any one country for availability of these key starting raw materials. When you get these, usually the contribution of these key starting raw materials to the final price of the API is also not very high. So, that is how you get a complete grip on the costing of your product, and it helps to bring the costs down. So, this is why since the inception of the company, our Chairman and our philosophy has been focusing on backward integration. Not only does it help with the cost angle, it also definitely helps in the supply chain continuity. Also impurity profiling as far as regulatory is concerned, you have a far better grip as compared to when you are getting advanced intermediates from outside.

Prateek Kothari: In terms of identifying new products or getting into something new, this would also be a key criteria for us before we develop a new product.

Saloni Wagh: Yes, so eventually when we launch a new product, we try to scale up that product in semi-regulated markets and once it has reached a certain size, then we start focusing on backward integration. Since we take the product, the eventual plan is that yes we want to be fully backward integrated but we do it in a phase-wise manner.

Prateek Kothari: Correct and then for the last 3, 4 years our gross margins used to be in 60s and for past 2 quarters, at least we are in 70s. So, this is just a function of we shifting our focus to regulated markets or is this something else too?

Saloni Wagh: Yes, it is only us focusing on more regulated market. Most of the products that we have in the current portfolio, they are mature products where we already have backward integration, where we have already got all the regulatory approvals. Also, these products are doing really well in regulated markets and that is why you see the improvement in the gross margins as well as in the EBITDA. What will happen is that in the Quarter 3, quarter 4 when we start adding new products into the product mix, there will be some level of margin dilution which will happen because new products usually scale up first in semi-regulated markets and then they mature into more regulated markets. Also, that's why we believe that there would be some slight margin dilution. But of course, we will grow in terms of revenue 20% plus year-on-year. And with that, definitely there will be an improvement in absolute EBITDA and the PAT numbers.

Prateek Kothari: Correct. And then last on the LATAM opportunity, when we are seeing that in numbers too, right? I mean, it's proportion is increasing very quickly. So, one factor which was playing in our favor was this Chinese players did not have this GMP compliance and that is where we came in. So, how hard is it for them to get this GMP compliance? And then are you seeing any changes on their side where they have started taking this to kind of complete with us?

Dr. Satish Wagh: See, basically, if you see in China, nobody bothers for GMP at all because so far, couple of years, everybody was greedy to buy from China and get the profits on a more higher side. In our case, we have decided that we will do everything at our end because we have GMP, CGMP, USFDA, EUGMP, all factors in our favor. So, we consider our own policy and our things that we will manufacture rather than going to buy from China. So, we don't worry about China and even if you say and go to them and put GMP, they will not get GMP for another 10 years. That much we know because we have been going to China for at least not less than 25 years.

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

Aashish Upganlawar: Most of my questions have been answered, but just to understand, sir, historically our margins have been kind of high, but there has been volatility across the years. The last instance was because our Chinese customer, I think there was a drop. So, we had a big jolt on the margins. So, now that you've recovered to close to 40%, how do we read this actually? Because today everything is going well, probably the mindset is strong and also there are issues with GMP as you mentioned now for the Chinese players. So, is there any threat to these margins again being volatile over the years, any inventory situation and customer, anything else that you would like to highlight? Or this is going to be stable yet at this kind of margin?

Saloni Wagh: So, like I said before also, see quarter-on-quarter, there will be some volatility in the margins because it depends on which product is going in which geography. And most of our products, some of them have already matured in regulated markets. Some are still under registration. We will also be launching a lot of new products which will first scale up in semi-regulated markets. So, depending on the product and geographic mix, you can expect that quarter-on-quarter, still be a little bit of volatility in the margin. But what we would like to highlight here is on that annualized basis, we are expecting our margin trend to be somewhere between that 32% to 34% moving forward. And year-on-year, definitely you will see that in terms of the actual growth in the EBITDA number and the PAT number that you will be able to see very clearly. Quarter-on-quarter guidance, we will not like to give but annualized basis like I said 32% to 34% is something moving forward also we are confident that we will be able to maintain.

Aashish Upganlawar: Yes, my point was mostly related to how do we look on an annualized basis. So, if I have to take a view as to going 2 years ahead, will these margins suffice? So, you said to say that base would be 32% to 34% but one cannot say whether this 39 will stay stable or is it going to go down or up? That's what the reading is. Am I right here?

Saloni Wagh: Yes, so 32% to 34% would be stabilized because what will also happen is that we are introducing a lot of new products in the portfolio. Currently, what revenue you are looking at is mainly our existing mature products in regulated markets. But as we grow, our revenue base is also going to grow. The products which we are going to add, it will be more diverse portfolio. So, with us growing much larger in topline, there will definitely be some dilution in the margin. But if you look at the absolute number of EBITDA, what we are doing today and what we will do in the next 2 years, you will see a significant growth.

Dr.Satish Wagh I would like to add on this one more. I will tell you the Supriya's ideology. See, we don't manufacture any product which are being manufactured in India and we fight with Indian manufacturers. This is very clear. What we are going to manufacture and what we are going to do is the products which are being catered from China to whole of the world. Now you understand, all over the world where it is being supplied, the plants are non-GMP plants. But there is no manufacturer who is having a GMP, CGMP with the supplier buyers, that is why people are continuing to buy. Now you have seen Latin America, there is a massive change that without GMP, they will not buy. Similar way, there are more and more countries which are coming and we will be doing only chemistry based on the products which will hit China. There, we are confident that we are telling our customers, please don't ask for any reduction in the price. This is our ideology because you should be happy that rather than a non-GMP plant, you are buying the material, even intermediate API from a US FDA plant. And that is being given a green signal to many of the multinationals and many manufacturers that they feel very much secured. We give end-to-end solutions. We don't buy N minus 2, N minus 3, N minus 4. We go for the basic, where people use cyanide. We use cyanide. We do not avoid cyanide. And we will give the confidence. This is our ideology. So, I'm sure we will definitely get a better EBITDA and better margins and security, sustainability to the business because people in the world expect that a good manufacturing USFDA plant is giving all this to them.

Aashish Upganlawar: Sir, continuing on this, I just wanted to ask is for our set of products, which typically would be small issues that we always target, would there be competition when you are bidding for, when you are kind of convincing the clients to move from Chinese to your supplies? Is there competition for that same pie or we have a very good right to win over there and less competition over there?

Dr.Satish Wagh: Sir, why should we say like this? Any buyer is being forced to buy because he has no alternative. Correct? Everybody in the world is talking about GMP, CGMP. Impurity profiles are going down. That means everybody is curious and wants a good quality product. So, in this case, if some qualified good manufacturer with all these things, with this facility comes, he will have some few days, but he will definitely change.

Aashish Upganlawar: And so we've heard this, what you said right now, I think for last 3-4 quarters. So, how much of a maybe all the business that we would have won on this logic of ours till now, or is it still we have work in progress or we have seen initial success in this endeavor of ours?

Saloni Wagh: So, this is still work in progress. For some of our existing products, yes, we have seen good traction in Europe and Latin American markets. But this philosophy and this will come in play in a very large way with some of the new products that we are launching, which you will be able to see, hopefully, from quarter 4 of this year. But the full effect of the new products you'll be able to see in Quarter 3 of next financial year.

Aashish Upganlawar: And ex of CDMO, the new product that we are launching now, what can be the contribution? I understand it's very difficult to say, but what can be the contribution maybe 2 years out from these products on the topline at least? Is there a way to map that? Would you like to share that?

Krishna Raghunathan: I think it's very, very difficult to quantify, but we believe that should be in the range of around, say 15% is something which is a possible number to have.

Aashish Upganlawar: Okay, so it's a material addition that new products will do to our topline.

Krishna Raghunathan: Of course.

Saloni Wagh: Because most of these new products that we are launching, like our Chairman said, the global volumes of these products are extremely high, and there is a lot of dependence on a single manufacturer for these products. So, definitely we can expect to get very good volume traction as soon as we launch these products.

Aashish Upganlawar: Great and lastly given the revenues that we have achieved in the first half I think Rs. 325 odd crores, it looks likely that with H2 being heavy we might be around Rs. 700 odd crores in the this year, so the guidance of say Rs. 1000 crores for FY27 the growth seems to be maybe the range of say 15 odd percent. So, is that really the picture that you would like to give us or is there possibility of you getting added here on the drivers and this is a very conservative estimate that we are talking about?

Saloni Wagh: Yes, this is definitely a very conservative estimate based on whatever projects are already in hand and the volumes where we have very clear visibility. But definitely with the Ambernath facility getting launched with the module E coming in full effect and the new products also gaining traction in regulated markets, there is definitely a very positive upside to this number that we have communicated.

Aashish Upganlawar: So, can we talk on a base case rather than a very conservative case, maybe Rs. 1200 crore of topline which we used to talk maybe around IPO that we intend to achieve this Rs. 1200 crore mark that was the statement then. So, is that something in maybe in 27 or FY27 or you would not like to maybe share your thoughts on that?

Krishna Raghunathan: As of now, the base case is what we are looking at is Rs. 1000 crore number. I think there could be a lot of upsides like what Dr. Saloni has said, the higher utilization from Ambernath, the higher utilization from Module E. See, as of now, we haven't factored some of these numbers most probably during this year's budget. In fact, that is what I was just talking to the Managing

Director as well as Chairman today morning in our board meeting that we will start this process now and we will try and finalize this number. See, there could be a lot of upsides to this. The number of Rs. 1000 crore what you are saying is a base case value that is the base case number we are talking about.

Aashish Upganlawar: So, what are the drivers for this addition that might come?

Saloni Wagh: Like I said this is our existing portfolio growing in regulated markets. Some of the newer products getting traction in semi-regulated as well as regulated market, and then contributing to revenue. Of course, the CMO, CDMO opportunities that we have, both on the advanced intermediate API front, as well as the CMO opportunities that we have on formulations from Ambernath. These are going to be the 4 or 5 major growth drivers. Of course, Module E, what we have added, that is only going to facilitate the growth from API and the new product.

Dr.Satish Wagh : It might be in a new therapeutic segment also. This is I can tell you.

Aashish Upganlawar: My point was that you are a pretty R&D focused company and your focus is very sharp. What kind of business that you want to do on which products and stuff. That's why I thought that if there are opportunities which are beyond the realm of this Rs. 1000 crore, I should know that was the only purpose. Anyway, maybe we will catch up one on one and try to understand more on where you are headed.

Moderator: Thank you. The next question comes from the line of Shubham Harne from Purnartha Investment Advisers. Please go ahead.

Shubham Harne: Just want to know the margin profile in LATAM market versus European market?

Saloni Wagh: So, we will not be able to give you numbers on country or region-specific margin profile.

Shubham Harne: And do you treat LATAM as a semi-regulated market or a regulated market?

Saloni Wagh: Also LATAM, we consider as a regulated market because going by our experience, because we recently also had ANVISA Brazil audit and we have done 9 product registration with ANVISA. So, given our experience, we feel the regulatory standards of Brazil and the Latin American markets are as stringent as USFDA or a Health Canada or EDQM. So, we classify that as a regulated market.

Shubham Harne: And what is the status of USFDA audit which you mentioned earlier in one of the calls?

Saloni Wagh: So, we had our USFDA in FY20 and after that we have not had any USFDA audit but beginning of this year in February, we actually had a desktop EDQM and Health Canada audit, which we have cleared. So, we are not anticipating any USFDA audit happening immediately. We do have a China NMPA audit in December, but other than that, we don't have any major upcoming regulatory audit.

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

Tushar Bohra: First quick clarification on the previous participant's question. While we may not have specific number for LATAM, but is it safe to assume that LATAM margins are similar or maybe slightly better than the corporate average because the higher contribution from LATAM has not prevented the margin profile from being strong?

Saloni Wagh: Yes, so like I said, the regulated margin profile is higher as compared to the others and we consider LATAM to be a regulated market. So, it would be similar.

Tushar Bohra: Second, despite a very strong gross margin performance, 72%, the EBITDA margins are in line with last quarter, primarily because of a significantly higher operating cost. Should we assume that this is due to some of the buildup that we had in anticipation for new product development, either on research side or maybe operating cost with the new facilities have already started coming in from this quarter?

Krishna Raghunathan: Yes, I think some of the formulation and also some of the R&D recruitments have already started, Tushar, yes you are right.

Management: The new plant, even validations and all are going on. Because before launching any API, we have to do all validations. So, those things are going on.

Tushar Bohra: Got it sir. Third, quickly on the CMO project, which I think in the previous call you mentioned as DSM, do we assume that this Rs. 60 crore per year starting FY27, we are being conservative on the maximum annual potential and or also on the launch timelines? Because I believe we've already launched this product or are going to launch, right?

Saloni Wagh: So, the project with DSM is getting launched in three phases. We have already launched, because it's a vitamin product, it has applications across food, feed, and pharma. So, what we have currently launched is the feed application where you don't need any kind of regulatory approvals. But for the food, you need the FSSAI approval, which we have just got last week. So, next year, you will see the feed and the food volumes coming in. For the pharma volumes, we still have to wait for 2 years because these are mainly targeting extremely regulated markets like Japan, US, or Europe. So, once the CEP, the US DMF number and the Japanese DMF number come, then only we can start seeing the volumes from pharma. So, it will take us three years to reach that peak volume. After that, yes, there is a possibility that the number could be higher because both the companies DSM as well as Supriya are aggressively looking at marketing this product. So, there is definitely a potential for this number to be higher than the Rs. 50-Rs. 60 crores what we have indicated.

Tushar Bohra: Ma'am, are we also looking at other products with DSM potentially?

Saloni Wagh: Yes, I mean there is always a possibility because most of the multinationals like Chairman said they have been given a mandate to consolidate portfolios with good manufacturers who have all the GMP and the regulatory requirements. So, once we have established the confidence with DSM on this one project, there could definitely be larger opportunities there.

Dr.Satish Wagh: As you also know that they have already sold off their API plants. They are sitting with the cash and they want to concentrate on vitamin sector only. So, there will be a possibility that once we complete this project, another projects will come from their end. That's a preliminary discussion has been taken place.

Tushar Bohra: Also, in H2 revenues, we are looking at higher than H1. Should we assume that the DSM content coming through, there's a CMO opportunity you had highlighted earlier in some hospitals in this product, as well as the whey protein opportunity? Some of these could start contributing in H2, and therefore, we expect a significant bump up in revenue going forward?

Saloni Wagh: Yes, so definitely some volumes from DSM will be added in the H2 number. Also some of the new products what we are launching in Quarter 3, we are expecting them also to get some traction in the non-regulated market. For the whey protein project, we are just waiting for our licenses to come. We are waiting on our FSSAI license, which also we are expecting should happen by the end of Quarter 3. So, with all these other products also contributing, we are expecting the revenue to be slightly higher as compared to H1.

Tushar Bohra: One last question, if I may. Just want to qualitatively understand some of the CMO opportunities we are pursuing going forward, which may be some, if you can give some color on the kind of opportunities we are pursuing. And if you can confirm that these will be in line with our margin guidance or higher in terms of the profitability potential for us. Also, if you can, Dr. Wagh mentioned some new therapeutic area. If you can share a bit more details on that please?

Saloni Wagh: So, definitely most of the contract manufacturing opportunities that we have on hand are in line with the margin profile that we are currently doing. In fact, on the formulation end in contract manufacturing, we expect the margins would be even better than what we are currently doing. Also definitely that aspect is taken care of. On the API advanced intermediate front, we have at least three or four opportunities which can start giving commercial revenue from quarter 4 or quarter 1 of next financial year. And on the Ambernath side, definitely once the validation is completed, because Ambernath side on formulation is also going to be only a contract manufacturing site. We are not currently planning on coming up with our own label. It would just be for contract manufacturing formulation. So, definitely from quarter 4 of this year or quarter 1 of next year, we can start seeing some revenue generating from this. But all would be in line with the current margin what we are doing.

Moderator: Thank you. In the interest of time, this was the last question for today's Conference Call. On behalf of Supriya Lifescience Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.