



# LASA SUPERGENERICS LIMITED

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Monday, February 15 2021

To, Corporate Services Department BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001. BSE CODE –540702	To, Corporate Services Department National Stock Exchange of India Limited “Exchange Plaza”, Plot No. C/1, G Block Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051. NSE CODE: LASA
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Dear Sir/Madam,

Sub. Transcript earnings call on financial results for the quarter year ended December 31, 2020

With reference to our letter dated February 03, 2021 intimating you about the conference call with Analysts/Investors held on February 05, 2021, please find attached the transcript of the aforesaid conference call.

The above information will also be available on the website of the Company.

Please take the above on your records.

**THANKING YOU**

**YOURS SINCERELY**

**FOR LASA SUPERGENERICS LIMITED**



**NIDHI KULSHRESHTHA**

**COMPANY SECRETARY AND COMPLIANCE OFFICER**

**“LASA Supergenerics Limited Q3 FY21 Earnings  
Conference Call”**

**February 5, 2021**

**MANAGEMENT: LASA SUPERGENERICS LIMITED**

**DR. OMKAR HERLEKAR  
MR. KABRA  
MR. HITESH WADHWANI**

**Moderator:** Ladies and Gentlemen Good day and welcome to LASA Supergenerics Limited Q3 FY21 earnings conference call. As a reminder, all the participants lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' and then '0' on your touchtone phones. Please note that this conference is being recorded. I now hand the conference over to Dr. Omkar – Chairman and Managing Director of LASA Supergenerics. Thank you and Over to you Sir.

**Dr. Omkar Herlekar:** Hi Good afternoon everyone. On the behalf of Lasa Supergenerics Limited, I extend a very warm welcome to everyone present on this conference call today to discuss LASA's Financial Performance for the Quarter Ended December 31, 2020. We have already issued a press release in brief, hopefully all of you have had a chance to review it.

At the outset, I hope that all of you and your loved ones are healthy in these continued tough times and I request do not let your guard down, we will soon overcome this. For those who are new in this call and our LASA Family, let me begin with a brief overview of the company followed by a brief review of the company's financial performance.

Company's Overview:

LASA Supergenerics is a leading Animal healthcare company engaged in the manufacturing of veterinary and human API and animal feed ingredients and reagent for therapeutic use. We have a state-of-the-art GMP certified manufacturing facility located in Maharashtra, having a total volumetric manufacturing capacity of 4300 metric tons per annum. Further, our manufacturing operations have significant backward integration linkages which enable us to effectively cover all the aspects right from discovery to delivery.

The USP of our company lies in our expertise in the catalyst chemistry and our patented intellectual property rights. We leverage our expertise in catalyst chemistry to make the API manufacturing process more efficient by utilizing suitable catalyst. After establishing a suitable catalyst and a manufacturing process for a specific product, a patent of the process is applied.

At present LASA owns proprietary catalyst patents for all its key API products. Patenting our unique products in process, prevents competitor from using the same process, thereby providing LASA with a significant competitive edge, and positioning it as a preferred supplier amongst its customs. LASA boasts of a product strong portfolio consisting of a diverse mix of multiple products across the animal and a human healthcare API.

Animal feed ingredients and therapeutic reagent segment: We successfully forayed into Human API space earlier this fiscal after receiving the FDI approval for Progesterone. Manufacturing and commercialization of Progesterone is already in process. On the customer profile front, we supply to over 300 customers across the animal and the human healthcare

value chain, including the multi-national Pharma companies, poultry and dairy industry and domestic formulators and traders.

Now coming to the financial performance:

I am pleased to say that we have delivered a distant set of numbers in Q3 '21 led by a consistency in the topline, even in the low demand period. Generally, we have observed in our industry Q3 and Q4 is considered as a period of low demand for our product portfolio due to various factors. However, we have been able to achieve consistent topline in Q3 and wish all the best for the Q4 too. Coming to our performance, revenue from operations grew at a pace of 38%, year on year, to reach Rs.163 crore in nine months ended FY '21. Direct exports contribute to around 17% of our total revenue which grew by 38% year on year, to make Rs. 27 crore in the nine-month ended. A combination of stable raw material prices, favorable product mix and better operational efficiencies led to disproportionate growth in the operating profitability.

As our EBITDA nearly grew by 77% on year-on-year basis, to reach Rs. 38 crore in nine month. Significantly, higher EBITDA coupled with almost negligible finance cost and lower depreciation, translated into a strong bottom-line performance. We reported a net profit of Rs. 19 crore for nine months, ended FY '21 versus a profit of Rs. 1.04 crore last year. Our working capital cycle continues to show improvement, enabling us to generate a healthy cash flow. After achieving almost 0 finance cost, our topmost priority remains on enhancing our cash flows, improving on return on capital, in line with our stated strategy.

Now, as about the outlook of the company going forward:

We will give our best to achieve consistent topline, but we will not be surprised if in case there is a lower achievement, since it is anticipated that the government tenders will be deferred due to ongoing COVID vaccination drive.

I thank you all for your kind attention, I would request the operator to open the floor for question-and-answer sessions now. Thank you.

**Moderator:** Thank you and very much. We will now begin the question-and-answer session. The first question is from the line of Vinay Pai, an Individual Investor. Please go ahead.

**Vinay Pai:** We have seen that the past consistent four quarters, the topline has remained the same. My question is like, with the API Progesterone coming into stream I thought we jumping a quantum on the topline as well as equivalent of that would be reflected in bottom line but topline has not come up, I just wanted to know the reason?

**Dr. Omkar Herlekar:** No, in the earlier conference call also I have clearly mentioned this Progesterone will pick up slowly, it is not that overnight it will pick up. Till date almost we have knocked a sale of around Rs. 10 crore in Progesterone so that is already a part of the current topline and it is a

product mix we have to see, we cannot go by, because business has its own metric ton capacity which is installed. 4300 is the installed capacity, so we cannot go beyond that. If anything, we have to do, it can be done in the existing metric ton product mix only, so if you are expecting that immediately top line will jump up, that will really not be possible. As about the profits, revenues, EBITDAs we are really very focused upon and very frankly we do not give very much of importance to top line because profitability has to be more, then only it makes any sense. Or else simply going behind top line and doing sales just for the sake of achieving sales does not make any sense. So, this is what we feel, we will be focused on, this is a basically EBITDA focused company, so we will focus on giving a healthy EBITDA margin.

- Moderator:** The next question is from the line of Harish Shiyad, a retail investor. Please go ahead.
- Harish Shiyad:** My question is on a broader perspective on the industry, the industry which we cater, veterinary API, what is the market size in India for us?
- Dr. Omkar Herlekar:** Sir market size for the APIs in India is to the tune of around Rs. 600-700 crore for APIs, not for the finished formulations. This is the approximate market size, which I am able to tell you based on my experience, it may not be a very much ratified numbers, but it is in the bracket of Rs. 600-700 crore.
- Harish Shiyad:** Okay, so roughly that means we have market share is around 25%?
- Dr. Omkar Herlekar:** Around we are at least 35% in the current market as far as our products are concerned.
- Harish Shiyad:** Okay and this Human API what we are trying to venture into, what therapy we are going to for it, once the market size of that?
- Dr. Omkar Herlekar:** Currently, we have entered into only steroids and amongst the steroids, only we are making Progesterone, we are not making all the steroids. Progesterone is a female fertility hormone and it is, again we are very small into Progesterone right now, we have not grown to the full extent. Currently, we are you may say hardly not even 5%, I mean of the total size of the market we are not, so there is a big way to grow.
- Harish Shiyad:** There are other manufacturers in India?
- Dr. Omkar Herlekar:** Well in India, there are two more manufacturers. So, but they are also manufacturing Progesterone, they are old players, and they are doing good amount of business, they are very reputed in their segment.
- Harish Shiyad:** Okay and at present, what capacity we are running our plant?
- Dr. Omkar Herlekar:** We are running at around 90% utilization, 85% to 90%.
- Harish Shiyad:** So any plans for the CAPEX?

- Dr. Omkar Herlekar:** Very frankly, our CAPEX is already ongoing, now we have yet to capitalize the CAPEX which we have done because the CAPEX which we have done in the last three, four months is not yet completely been capitalized. Once the commissioning is done, the capitalization will happen on the balance sheet.
- Harish Shiyad:** So what will be our capacity from 4300?
- Dr. Omkar Herlekar:** You know, last time I have already told, it is around 5300 in the first phase, that is around 1000 metric tons we will add on.
- Harish Shiyad:** Okay.
- Dr. Omkar Herlekar:** In the first phase.
- Harish Shiyad:** Any new product we will be adding, to this CAPEX.
- Dr. Omkar Herlekar:** No new products, existing products only. And only the volume growth will happen.
- Harish Shiyad:** Okay and what is our export, percentage wise from this?
- Dr. Omkar Herlekar:** Export see, if you go to see the total exports, it is around 50% but direct export, if you say me, there is a dollar realization, direct dollar exports is around 17% but there are many exports which happen through merchant exporters, where we do not get dollars, we get rupees only. So those, we if we count it as, those also are export strata, technically those are also to be counted as exports only, but we count only direct exports, which are around 17%.
- Harish Shiyad:** It is China plus one factor, any benefit to us?
- Dr. Omkar Herlekar:** No, how can we benefit from China, I mean like can we?
- Harish Shiyad:** No, I think China plus one fear of India, we have known? So, India has been developed as an alternate source to China.
- Dr. Omkar Herlekar:** Yes, but Chinese competition continues. Chinese competition is continuing, so we cannot say anything about that, you know. We are facing a tough competition from China, but somehow because of our product patents and our value-added processes and everything, we are able to cope up. We are able to cope up, somehow.
- Harish Shiyad:** I do remember, in the past we had a lot of issues on the raw material prices and that is why our profitability was not good nearly last one year back or so, now how is the scenario in the raw material prices, now?
- Dr. Omkar Herlekar:** Again, if you see, the raw materials prices have gone up. The raw material prices have gone up, have shot up very badly but yet it has not impacted us, and I feel that it will not impact us this time because last time even the impact had happened on the PAT only, not on the

EBITDA margins. EBITDA margins were almost stable, only PAT had gone down because the revenue was less and even the bank interest and the finance cost was too much. So that everything put together had impacted our bottom line. So if at all anything has to be impacted, it will be only the EBITDA which will be impacted, if at all in future it has to impact. Well, do not think as such, as on the date at least the situation does not look like that. If at all any of such this thing comes, then might be to the extent of the increment in the price, to that proportion only the profit will come down. And raw material continues to be around at least, around 50% to 55% of our total selling price, that is the revenue.

**Harish Shiyad:** The top five or top ten customers, what is the total contribution to our revenue, by percentage broadly?

**Dr. Omkar Herlekar:** The top five customers may be contributing around 25%, we are not customer dependent, we are not dependent on a single customer.

**Harish Shiyad:** Okay, what is our vision for the next five years?

**Dr. Omkar Herlekar:** Oh, so sorry Sir. I cannot give you any kind of vision for any amount of time because you know, this is Pharma market and you never know what can happen at what time. So, giving you vision will be very wrong, Pharma works that way only and over a period of so many years we have realized that, giving you a complete vision see because you know vision can be given if you have known markets and known customers for known time. See here it is like this, the entire market is divided amongst birds, animals and dairy. So as you know, right now the bird flu has come, so immediately the demand goes down. Sometimes anything else thing happens then immediately the demand goes down. So we really cannot forecast any kind of, give you any kind of crisp vision as far as market is concerned, very difficult but yet, if you ask me if everything goes as per the stipulated this thing, then around 7% to 10% would be the growth rate.

**Harish Shiyad:** Good, thank you very much and all the best and look forward to the good performance in the year to come, all the best.

**Dr. Omkar Herlekar:** Sure, thanks.

**Moderator:** Thank you. The next question is from the line of Atish, who is self-employed. Please go ahead.

**Aatish Bhachech:** Good afternoon, I just wanted to ask related to the debt status basically, it is previously we had expected that by December 2020, it would be at nil, but still some amount of debt is left, so?

**Dr. Omkar Herlekar:** No, I will tell you. I will explain you, the company is virtually a debt free company, so only the debt which is reflecting in the balance sheet is of bank of Baroda, which is under settlement. We are in discussions with them and already we have got in principal verbal nod from them about the settlement. So, we have kept the appropriate amount of money ready with us as reserved. So once we get this thing from them, we will immediately pay it out. That is

just this thing you are seeing, once we get an official letter from them, the money which we owe them will be settled, this is my word to you, okay.

**Aatish Bhachech:** Fair enough and talking about the fourth quarter projection; should we expect it will be higher than this September, December.

**Dr. Omkar Herlekar:** At least we will try to be in line with the entire year results, we will try to be in line. See because you know, otherwise Q3 and Q4 is always a very bad time for veterinary industry. If you see, last three years also you will see. Somehow, we are able to achieve the requisite bottom and the top line in this quarter. In the coming last quarter, that is Q4 quarter also we wish that we will try to maintain it, we never know, just one month has passed, just January has passed, so two months are more to go. February is anyways, as it is 28 days, so many times it happens that the sale in February is always less because last two days we do not get. So yet we will try our best to achieve what best we can do.

**Aatish Bhachech:** Okay, in the last call it was talked about that bird flu related issue, can you just give us something on that front basically how our company is going to get affected?

**Dr. Omkar Herlekar:** See, because we manufacture veterinary feed ingredients also know, typically there is one product by the name of Hal quinol which we make, which is used as a feed additive for chickens. So maybe I do not know, like yet in the last month when the bird flu was there, we did not face any selling pressure as such. So for going ahead also, we feel that that will not impact us much but yet let us see, we cannot be so confident about anything because it is market after all.

**Aatish Bhachech:** Right and finally related to that export front, so what is the ratio related to export and our domestic sales?

**Dr. Omkar Herlekar:** We are doing around 17% of direct exports and direct and indirect exports put together, it is around 50%.

**Aatish Bhachech:** Okay, so we are going to continue with that or have any ..?

**Dr. Omkar Herlekar:** Yes, more, or less we will be able to continue with that, I cannot commit anything like we are on a higher front like exports and all, we will try. See because China is also there in competition, many times we lose orders to Chinese because they have a lot of inventory and many times, they sell in loss also, so that we cannot do anything when they sell in loss. At least I cannot do loss in LASA, we have to do good profits. So just for the heck of getting the revenue and getting the top line, doing under credit sales is very bad. So I do not do that usually, I do not arrogate to such practices.

**Aatish Bhachech:** Apart of China, basically it is more related to the US business, I guess you are talking about. What about the domestic front, are we going to get the benefits if ..?



**Dr. Omkar Herlekar:** See, one thing I would like to highlight you very clearly. Albendazole was having a, there are two of our products; Albendazole and Fenbendazole which are sold in the domestic industry. Albendazole was having an anti-dumping duty until last year but this year the anti-dumping duty was discontinued because of the five years period got expired. So now going hereafter, again if they impose the anti-dumping duty then it is okay. If the anti-dumping duty is not imposed then there may be a little hit on, because China will start dumping in India. If that happens then we again have to do some again business strategy which will help us to survive in the market and definitely we will do it, nothing to worry about it, so this is how it will happen.

**Aatish Bhachech:** Are we pursuing on writing to the government also, that like advising related to that anti-dumping duty part?

**Dr. Omkar Herlekar:** Everything. A new application is also already filed with the DGFT. So everything, we are on the top, you know at war putting we are doing whatever we want to do because it is definitely the matter of survival of our industry, know. So we have to do, with all possible strength and all possible means and ways we have to see that our business survives.

**Aatish Bhachech:** Best wishes ahead.

**Dr. Omkar Herlekar:** Yes, thanks a lot.

**Moderator:** Thank you. The next question is from the line of Vineet Jain, an individual investor. Please go ahead.

**Vineet Jain:** I have two questions; one is that we are making almost Rs. 10 crore of cash flows every quarter, so it could generate almost on an approximate side, like Rs. 40 crore per annum, just a guess. So I just wanted to know, how we are planning to spend that particular amount and also I will ask the second question, which is on the capacity front. We already have 4300 metric tons and we are expanding with another 1000, which will add to 5300 metric tons and going forward also, we would increase our capacity to 5800 metric tons. So just wanted to understand, when the first phase will close, I mean when the first phase would come and the second also?

**Dr. Omkar Herlekar:** The first phase will close definitely in the month of March, I feel, with the year ending it will close according to me. The second phase, I would like to take some time to give you the answer because you know we have to evaluate; what is the status of the machineries, what is the status of the erection. We will have a complete plan for it, and we will come back to you over the second phase, okay but surely within sometime, within the next year, it will definitely happen. So this is this thing. And your first question was related to what, can you please repeat?

**Vineet Jain:** Cash flows which we are generating.

**Dr. Omkar Herlekar:** Cash flows; so whatever cash flows is generated out of the business, that is the free cash on the balance sheet, right? So free cash on the balance sheet will be deployed for you know, definitely for expansion of the business, whatever free cash comes, that much we can leverage on imports also know. We can do some more products also; with the existing products we can increase the volume. So that is what, increase in the volume would be only the main objective of the surplus cash flows on the balance sheet.

**Management:** It is important to note over here, just to add to what Mr. Omkar said, it is important to add here that we have utilized our major cash flows in determined of our debts in the current year and the incremental cash flow we would like to preserve for our internal working capital requirements. And definitely, in due course of time any cash flow over and above will definitely be utilized, like to reward the shareholders, by way of dividend. That we will just, yes.

**Dr. Omkar Herlekar:** Perfectly, we are aggressively planning for that, for you know.

**Management:** So, first preference would be to fund our incremental working capital requirement because as you know, we have already repaid all our working capital debt.

**Dr. Omkar Herlekar:** Perfect.

**Vineet Jain:** Just a suggestion over that. It is even better if you announce any buybacks and also I do not know, what is the status for that Harishree Aromatics, may be it could have some co-relations, I do not know how it would be in like, on the papers ..

**Dr. Omkar Herlekar:** See definitely many things can be done and even if the cash flow remains as a deposit on the balance sheet, that is also not bad you know. Company with a good deposit is always treated as good, so the deposits, the corpus will increase, the free cash, that is the net current surplus will increase know. So let it be, no problem. We have a good surplus on the balance sheet today also.

**Vineet Jain:** And status of Harishree Aromatics?

**Dr. Omkar Herlekar:** Sir status of Harishree Aromatics, currently the scheme is in NCLT in the court and as you know, NCLT because of the current Pandemic their hearings are many times postponed, many times adjourned, rather. So it will take its own due course of time, we cannot really comment on the timelines, yet we are hoping our best to, that by the financial year end, it will go through, that is our fair guess, that is it.

**Moderator:** Thank you. The next question is from the line of Mayur Damani, an individual investor. Please go ahead.

**Mayur Damani:** Hello Sir, good afternoon. So, I have seen the numbers and congratulations on maintaining the same set of numbers in such a challenging situation. At the same time, I just want to know, can

we better our EBITDA margins from 23 to kind of 26 and so the export impact, what Chinese would do and that gets initiate, but this will reflect in Q4 because what I can see from this market situation, nothing of the diameter for the long term but the markets are yet in more on quarter-on-quarter rather than year-on-year. So would there be the impact of any negative events in future by increasing the EBITDA from 23 to 25 or 26?

**Dr. Omkar Herlekar:** No, first of all is competition. When I say about competition, it is domestic as well as exports, there is a foreign competition, so domestic competition we are not worried about so much because you know whatever raw material cost, we arrive, the other competitors will also arrive at the same cost. And we are very confident because we have our process patents, already we have, we are fighting two litigations, outbound litigations of course, with some of the competitors who were trying to copy our process and we will definitely maintain the strategy in future also. Whosoever copies our process, we will definitely seek legal remedy for that, so this is one thing. As about the foreign competition, the competition which remains is the Chinese competition and from China it is very difficult and unpredictable to comment anything because many times Chinese people, what is their business strategy, we do not understand many times. Sometimes they dump at such a ridiculously low price, whereby even it is not our raw material cost. So we at least have to secure our raw materials, at least we have to secure our EBITDA, that is what I want to say. We cannot erode our EBITDA, so the worst thing which can happen is only the competition from China, that is only the threat, nothing else I feel would be this thing. So if you say, what would be the sustainable EBITDA margins, would be just between 20 to 23 only. EBITDA margins going beyond 23, that is around 25, 26 is likely not possible, that is what I feel.

**Mayur Damani:** Okay and when will be the impact of that litigation be so on, either in Q4 or Q1 FY22?

**Dr. Omkar Herlekar:** Impact of?

**Mayur Damani:** The recent Supreme Court case with litigation and all that **(Inaudible) 28:54**.

**Dr. Omkar Herlekar:** No, we have already got relief from the court, we have got the relief order from the court in our favor. It is an interim relief which a court grants to any petitioner against the defendant so as the further damage can be avoided, so it is an interim relief, Ex-parte interim relief we have got.

**Moderator:** Thank you. The next question is from the line of Atish, who is self-employed. Please go ahead.

**Aatish Bhachech:** I will ask an additional, you know, just a request please. Can I get the top, at least 50 shareholders' list?

**Dr. Omkar Herlekar:** Top 50 shareholders' list, Mr. Ritesh.

**Hitesh:** Yes Sir. You can please write down to our email ID: [cs@lasalabs.com](mailto:cs@lasalabs.com) our team will get back to you.

**Aatish Bhachech:** Fine enough, thank you.

**Moderator:** Thank you. As there are no further questions, I will now hand the conference over to Dr. Omkar for closing comments.

**Dr. Omkar Herlekar:** Thank you very much everybody and let us hope so the company progresses in the similar fashion and hoping to see you all in the next session, thank you very much, bye.

**Moderator:** Thank you very much. On behalf of LASA Supergenerics Limited, that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.