



**SUPRIYA LIFESCIENCE LTD.**

*Creating true values that bind global health*

Date: February 20, 2023

To,

**BSE Limited**

Phiroze Jeejeebhoy Towers

Dalal Street,

Mumbai – 400 001

**Scrip Code: 543434**

To,

**National Stock Exchange of India Limited**

Exchange Plaza, C-1, Block G

Bandra Kurla Complex

Bandra (E), Mumbai – 400 051

**Scrip Symbol: SUPRIYA**

Dear Sir (s),

**Subject: Transcript of Earnings Call of Q3 FY 2022-23**

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 Wednesday, February 15, 2023, at 11.00 A.M. IST to discuss operational and financial performance of the Company for the quarter and nine month ended December 31, 2022.

**Clarification:**

During the question-and-answer discussion in the earning conference call, at the 29:55 minute mark, on being asked on guidance for revenue growth, management inadvertently mentioned that the revenue will double by FY2027 over a base of FY2023, However the correct guidance was provided during opening commentary, wherein it was mentioned that revenue will double by FY2026.

Request you to take this intimation on record.

We have kept the transcript verbatim to avoid any confusion, however, we request members through stock exchanges that transcript should be read with this clarification.

Thanking you,

Yours faithfully,

**For Supriya Lifescience Limited**

**Shweta Singh**

**Company Secretary & Compliance Officer**

**Membership No.: A44973**

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SUPRIYA LIFESCIENCE LTD.

“Supriya Lifescience Limited  
Q3 FY2023 Earnings Conference Call”

February 15, 2023



SUPRIYA LIFESCIENCE LTD.



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

**INVESTOR RELATIONS: MS. RASIKA SAWANT – ORIENT CAPITAL**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 and nine months FY2023 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. Rasika Sawant from Orient Capital. Thank you and over to you Madam!

**Rasika Sawant:** Thank you and welcome to Q3 and nine months FY2023 Earnings Conference Call of Supriya Lifescience Limited. Today on this call we have Dr. Satish Wagh – Chairman and Managing Director of Supriya Lifescience Limited along with senior management team. This conference call may contain forward looking statements about the company which are based on beliefs, opinions, and expectations as of today. Actual results may differ materially. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed safer harbor statement is given on page number two of investor presentation of the company which has been uploaded on the stock exchange and company’s website as well. With this I now hand over the call to Dr. Satish Wagh for his opening remark over to you Sir!

**Satish Wagh:** Good morning and warm welcome to all the participants. Thank you for joining us today to discuss the Q3 and 9M FY2023 Results of Supriya Lifescience Limited. To take us through the results and answer to your questions we have with us the top management from Supriya represented by Dr Saloni Wagh – Director, Mr. Krishna Raghunathan - Chief Financial Officer of Supriya Lifescience Limited and our investor relations department Orient Capital. I hope everyone got the opportunity to go through the financial results and investor presentation which have been uploaded on the stock exchanges as well as the company website.

Before we discuss the business performance, I would like to brief you a few development at Supriya Lifescience. I am happy to report that the Board has appointed Mr. Krishna Raghunathan as Chief Financial Officer of the company. He is a dynamic professional and qualified chartered accountant having more than two decades of rich experience with an excellent track record in departments like finance, treasury and investor relations. Krishna has a demonstrated history of working in diverse industries including pharmaceutical, packaging, and information technology. He is a seasoned pharma specialist with more than two decades of experience in the companies like Dr. Reddy’s Laboratories Limited and Granules India Limited. His appointment is in line with the company’s strategy to achieve

accelerated growth in the years to come. We welcome him to Supriya Lifescience family and wish him all the success in his role.

Let me now share some key highlights for the quarter nine months ended FY2023. As you all know it has been a challenging quarter for the global economy and our industry has been no exception. Due to continuous challenges posed by the lockdown in the major cities in China the drop in demand of **key** products has led to pressure on topline and profitability for quarter under review. However our endeavor is to navigate these challenges and focusing on getting adequate measures to minimize the impact on our business. Our primary focus remains on expanding our regulatory market presence with new emerging markets, backward integration and manufacturing capacity optimization. For 9 months ended FY2023 our operating revenue was 319 Crores as against 342 Crores in 9 months FY2022 with an EBITDA of margin 23.2 and PAT margin of 16.2%. Our operating revenue in Q3 financial year was Rs.105 Crores as against 117 Crores in Q3 FY2022 a degrowth of 10% on year-on-year basis. With this I now hand over the call to Dr. Saloni Wagh to share the key highlights of our business performance. Over to you Dr. Saloni!

**Saloni Wagh:**

Thank you and good morning to all the participants. We welcome you to the Q3 FY2023 and 9 months FY2023 earnings call of Supriya Lifescience Limited. I would like to share an update on development and performance of the quarter under review. As informed by our CMD, Dr. Wagh we have had a challenging quarter. We have a leadership position in antihistamine range and for this China is one of our largest market. As this product range is a mature range for the company and already in regulated market the revenue and margin contribution of the same is high. There has been a severe outbreak of COVID in China for the past several months. We have been transparent about lockdown situation and have continuously communicated the supply challenges we have been facing. Due to the extended lockdown and widespread use of masks and sanitizers the demand for the antihistamine range of products has gone down significantly. We are facing demand and pricing pressure from this market. The situation in China remains grim and we anticipate a similar trend in the coming quarters before it starts to improve.

Other markets and therapeutic categories continue to be stable. However, as we operate predominantly in export market and there are long holidays in December the sales get pushed to the last quarter. Hence for other therapies and regions we have not seen any sales loss. Considering our current situation we have already been working on the derisking strategy to mitigate the impact of our dependence on a particular product and or all geographies. We have enhanced our capacities and initiated registration for other therapies such as decongestant, antihypertensives, anti-asthmatic, vitamins and anti-allergic. These therapies have good volume potential in regulated markets. We anticipate that these will



start seeing a good traction in regulated markets in the next two quarters which will help stabilize our portfolio even if the situation in China does not improve the way we are expecting. Additionally, we are in the advanced stages of discussion for two CMO opportunities and getting multiple enquiries which, we believe will start contributing to our topline and bottomline from Q3 of FY2024. We are also evaluating new products in our R&D pipeline to increase our product basket and therapy exposure. Furthermore, we are strengthening our senior management team to enhance our business development, manufacturing, and R&D capabilities with the aim of creating a more robust business model.

Talking about our facility upgradation work for capacity enhancement our E block which will add 350 KL capacity work is going on and we expect it to be operational by Q4 of FY2024. Our admin building at our Lote site with a new R&D center Q3 and finished goods warehouse will be operational by Q4 FY2023. R&D facility with pilot plant expansion activity at Lote site and Ambernath is going well in time.

Lastly, I would like to touch upon company's backward integration business model. The top 12 products which we produce contribute to 72% of our total revenue. We are extending the backward integration model to our newer products as well to stay competitive. By adding more products, geographies, increased penetration in regulated markets, expanding our customer base, adding more operating sites we are completely derisking the business a stepping stone to our success story. We are confident of our derisking strategy and other initiatives that will help us recover our topline and improve margin profile in the quarters to come. Overall company's growth strategy of doubling the topline by FY2026 remains the same with a healthy and sustainable margin. With this I will now hand over the call to our CFO, Krishna Raghunathan. Over to you Krishna.

**Krishna Raghunathan:** Thank you Dr. Saloni. At the outset I would like to thank Dr. Wagh for the introduction and I am excited to join Supriya Lifescience Limited and be a part of such a talented and dedicated team. I am looking forward to contributing to the growth and success of the company and being a part of the exciting future that lies ahead.

Let me share the highlights of our financial performance for the nine months and Q3 FY2023 and following which we will open the floor for questions and answers. Company reported revenue from operations of Rs.105 Crores in Q3 FY2023 as against Rs.117 Crores in Q3 FY2022 and Rs.319 Crores in nine months FY2023 as against Rs.342 Crores in nine months FY2022. EBITDA in Q3 FY2023 stood at 14 Crores as against Rs.38 Crores in Q3 FY2022 and Rs.74 Crores in nine months ended FY2023 as against Rs.132 Crores in nine months FY2022. EBITDA margin stood at 13.4% in Q3 FY2023 as against 33% in the

same period last year and 23.2% in nine months FY2023 as against 38.6 in nine months FY2022. Profit before tax was at Rs.12.6 Crores for Q3 FY2023 and 17.2 Crores for nine month FY2023. PAT stood at 9.5 Crores for Q3 FY2023 and Rs.52 for nine months FY2023. Operating revenue has remained similar in the nine months FY2022-2023 despite muted customer response in our key market which is China. However, since this market is a key margin generator there has been a dip in our margin, also we have not seen any major cost pressure on raw materials. Logistics challenges which we have faced in the earlier quarters has eased out. On the expense front there has been an increase in certain expenses like power, employee benefits and certain increase in repairs and maintenance which are in line with our business strategy and this is all from my side we can now 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. The first question is from the line of Aashish Urganlawar from InvesQ Investment Advisors. Please go ahead.

**Aashish Urganlawar:** Thanks for the opportunity. If we grow through the past four, five quarters that Supriya has been listed and basically arranging these calls and we have been interacting with you so the entire commentary that has been there from the management if I recall it used to be 750 Crores of topline in the target 2-3 years and then sustainable margin of 30-35% and all those things and if I have to look at it going back in past 12 months everything has kind of deteriorated to an extent where the commentary does not stand anything basically whatever has been told to the investors so the entire management team has changed do not know for what reason the CEO changed, CFO changed then all these numbers last quarter you were saying that in China logistical challenges were there now you are saying that there is more demand so as investors how are we supposed to join all the dots being in business for two to three decades these cycles typically tend to be known to the management how sustainable are the margins and stuffy, so your comments on that will be helpful and we will need some bit of doing on your part to ensure that we keep trust in whatever is told to us basically so your comments on this will be helpful?

**Saloni Wagh:** So thank you for your question. See in terms of the last couple of quarters' performance since this financial year began the major issues we have seen in the last three quarters and we have actually been very transparent throughout all our interactions with investors, earnings calls that we are facing logistics issues in China because of the continued lockdown so this is something we have been very transparent about. Now what has happened is that because of the continued lockdown and because of the widespread use of hand sanitizers, masks people are not going out of their homes the demand itself for antihistamine range has dropped down significantly so this is a result of the continued



lockdown which has been going on for over three months so that is one of the major impacts that we have faced and this is why in this quarter we are saying that yes we are now facing a demand drop because of this continued lockdown situation in China and what I would like to also highlight is in the past also we have said that the company has a leadership position in three molecules out of the 38 molecule portfolio that we have. These three molecules have moved into the regulated market space they are very mature molecules of the company and their contribution to our topline as well as our bottomline is very significant. Unfortunately for us because of the situation in China one of our key markets and key products has been badly impacted. If you look at the other therapies they have performed well the growth in those therapies is quite stable but because currently the dependence on this particular therapy and market of the company is high the impact on the topline and the bottomline is visibly quite significant. I don't think even now the strategy for the company has changed we still maintain that the company will continue to show good growth in the next couple of quarters, for this what we have done is we have already identified a group of 5-6 products which we have now fast tracked into the regulated market space. These molecules have very good volume potential so they can add quite significantly to our topline and give us a decent margin as well so once these molecules start maturing into the regulated market in the span of next two to three quarters you will see that the portfolio would have been significantly derisked so whatever comments we have made in the past that we are looking at doubling the topline in the next three years or we still stand by those comments. We also have a lot of CMO opportunities which are at advanced stages in fact two of them have gone through the signing stage and we expect to see some revenue generation from the Q3 of next year, so yes we have identified the risk at our side and it is a risk which we have been very vocal about with all the investors and everyone in the past as well and now we are putting our best effort to try to mitigate that risk, so we are committed to showing growth in the next couple of quarters. As far as the senior management team getting changed is concerned, we have also addressed this in the past but I would still like to take this opportunity to address this. The CEO due to some personal reasons, family reasons he had to step down, he still continues to be with the company very much, he is our technical lead, it is not like he has left and taken some other job opportunities so he is still very much a part of Supriya and now with Krishna joining us in fact we have strengthened our finance side. He has a much wider experience and exposure to the pharmaceutical sector for over 20 years and he has been part of listed company so in fact I would say that on the finance part we have strengthened our team and we continue to strengthen our team further. We have identified areas like R&D, manufacturing, and technical areas where we would like to further strengthen our team so you will hear from us very soon on that front as well.

**Aashish Uppanlawar:** So what is the outlook on margins and related to that and how much China contribution is there on the topline and margin front if you can be a bit more clear on that it will help us



understand how the numbers can shape up from here and what is your outlook on the margin actually that will help us?

**Krishna Raghunathan:** See at this point we are not giving any sort of a commentary on margins and also we are not giving any sort of a guidance for future but we believe that we will be in a steady state from now on. I think that is something which I can always say but we would like to what do you call perform for the next couple of quarters before giving any sort of guidance at this stage. We are not guiding anything at this stage. We will be waiting and watching for the next couple of quarters. I think we will let the performance speak Sir.

**Aashish Uppanlawar:** But what the tables say 13% margin that you reported this quarter or 20, 25, 30% that has been coming in the last?

**Krishna Raghunathan:** It would be around what you call late or early 30s I would say but please do not take this as a guidance we are working on improving all of this further also but at this point in time you can say that around 30 should be a steady state in future.

**Aashish Uppanlawar:** So this is we are talking about the next two to three quarters or we are talking two years down the line or one year down the line?

**Krishna Raghunathan:** No it would be for the next couple of quarters. See there is always a scope for improvement further. As of now whatever we are seeing looking at the Chinese situation this is what we believe would be the number at this stage but we expect a quarter-on-quarter improvement going forward.

**Aashish Uppanlawar:** The other part I asked was the China proportion to sales and margin. Madam this is very important because we have been investors and there are many people who have kind of had a bad experience till now so I think rather than a time limit it would be better if you could answer all those questions.

**Moderator:** Thank you. The next question is from the line of Yogesh Tiwari from Arihant Capital Market. Please go ahead.

**Yogesh Tiwari:** Sir my first question is, are you seeing any pricing drop in CPM and what would be the quantum approximately single digit, double digit?

**Saloni Wagh:** So while we will not be able to share this information on the quantum see what has happened is because like I mentioned in my speech as well because of the continued lockdown the demand has dropped and when the demand drops there is definitely a pressure



on the pricing as well, so we are seeing a price and demand pressure from Chinese market on CPM.

**Yogesh Tiwari:** What would be the seasonality for CPM like which are the main quarters for this product?

**Saloni Wagh:** Usually Q2 and Q4 are typically the highest sales in terms of CPM but because of the lockdown which was there in China during Q2 we did not see that kind of impact but if you look at the revenue generation and if you look at the region wise contribution you will see that in terms of volume we have been able to sell CPM into the other markets like South east Asian markets like Indonesia, Malaysia, Vietnam so there we have seen good volume pickup so in terms of volume you might not see a large drop but because one particular market has been impacted and that market volume and price typically contributes very largely to the revenue and bottomline that is why you are able to see the hit in the P&L as well.

**Yogesh Tiwari:** Madam regarding the gross margin so it has been all over the place like around 60% to now we are like approximately 51% so if we take a base of FY2026 where we double the revenue what would be the range for the gross margin, target range for the company if we can get a range for FY2026?

**Krishna Raghunathan:** At this point it is too premature to talk about margins in FY2026. See I think let us cross this financial year and in future I think when we believe that we could give some sort of guidance, we will certainly guide the market. We are not shirking away from anything but since these are all what do you call one-off sort of issues which had happened which the company has not seen in the earlier instance so please also understand that we do not want to guide such a long term but it would be a very, very healthy margin that is something which the entire senior management is working upon Sir.

**Yogesh Tiwari:** Do you believe the margins have bottomed out in this quarter?

**Krishna Raghunathan:** Sir we do not want to give any sort of guidance but yes I would certainly say that this would be one of the lowest performances yet. I do not think it should be anything going way below this is what we also believe in.

**Saloni Wagh:** I want to reiterate what Krishna said. I think is the lowest what has happened and we do not see it dipping from this anywhere.

**Yogesh Tiwari:** What is the demand scenario for ketamine in Europe are we seeing any strong traction there?



**Krishna Raghunathan:** Sir we do not comment on product specific stuff because these are all our important product. I think it would be very, very improper for us to guide about single molecule in a call. If something you can always call me personally I think we can have a chat on this. It will be a bit or not inappropriate for us to talk about individual product margins at this stage Sir because these are all are confidential and important molecules and we would not like to share the demand as well as the margins in an open forum please.

**Yogesh Tiwari:** Lastly like there will be a sharp spike in other expenses so what would be the component leading to that increase in other expenses for the quarter?

**Krishna Raghunathan:** See basically what had happened is of course one is on a very good side the CPHI has started so the last quarter we had some expenditure on CPHI so that is on the marketing side of course a bit of power and fuel and we had to maintain a couple of reactors on the plant side so these were some of the expenditures which have gone up. Of course employee benefits also have gone up a bit which of course we have already said in our speech due to all the new personnel joining in so these are some of the areas where we have seen but we do expect a bit of reduction on the repairs and maintenance going forward but nothing significant is going to reduce Sir.

**Yogesh Tiwari:** Thank you Sir. That is all from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Naresh Vaswani from Sameeksha Capital. Please go ahead.

**Naresh Vaswani:** So while you mentioned that because of the lockdown demand gone down but what we saw in India as well post the reopening the demand came back much stronger and now since we are hearing China has opened up why are we not seeing our demand recovering in the China for the CPM?

**Saloni Wagh:** Like I have said in my speech as well as I explained before what has happened is that because of the extended lockdown and widespread use of masks and sanitizers and there was a very strict lockdown so people were not leaving their houses there was no flu that the common flu, cough, cold had gone down significantly, so of course when a scenario like this happens it will have an impact on the demand so that is why once things have opened up what we are understanding from our contacts in the market is that because of this extended lockdown situation the demand for the product itself has gone down. It is not a permanent situation but what we understand from them is that this situation will persist at least for the next couple of quarters, for a market to recover it will not be very immediate it will take a couple of quarters for the demand to stabilize that to what it was earlier.



**Naresh Vaswani:** Alright so that means there is some stocking still there in the market which would get utilized and post that you might see recovery in demand right?

**Saloni Wagh:** Yes we anticipate at least in the next two to three quarters similar situation would be there but it will keep stabilizing post that is when we actually think that the market would be in a position to recover.

**Naresh Vaswani:** Right and you mentioned that there are four to five products which will start to go into regulated markets and that will start to contribute in the next two to three quarters so can you help us understand which are these products and what would be the contribution of these products in next let us say two to three quarters?

**Saloni Wagh:** So while I cannot give out specific product names but the therapeutic category yes, so we have some products from antihypertensive range, in the anesthetic range itself we have another product where we are seeing good traction in North American market and the asthmatic vitamins also we are working on some large CMO opportunity with the innovator where we can see a very large volume scale up, then decongestant is another category of products wherein we are completing the registrations in US and in Europe. We are expecting to get the USDMF number in Q2 of next year, so these are some of the therapies wherein for the product the volume demand is quite large and the margin profile is also quite decent so once these products and these regulatory approvals start coming in like I said from Q3 of FY2024 we should be able to start seeing good revenue generation from these products but the specific number on how much revenue and which products unfortunately I will not be able to discuss in this forum but these are just some of the therapies that we have already identified and we have been working in the last couple of years.

**Naresh Vaswani:** But what I was trying to understand is will this take longer time to materialize or you already have the registration in place and you are starting to get some orders on these products so will it be like one year down the line thing or do you foresee it faster?

**Saloni Wagh:** It could be faster because for some of these products some registrations have already started coming through. We are working on some specific projects with certain customers wherein the customers have already bought the validation volume so we are waiting for them to come back to us on the commercial requirements so it would definitely be faster than one year.

**Naresh Vaswani:** Your guidance on doubling the revenue was on the base of effort by FY2022 on FY2026 right?



- Saloni Wagh:** By 2027.
- Naresh Vaswani:** So the doubling of revenue was on the basis of FY2022 revenues?
- Saloni Wagh:** FY2023 revenue.
- Naresh Vaswani:** One last question so in this two CMO projects where you were close to finalizing the terms what would be the size of this project if you can share on that and which therapies will this belong to?
- Saloni Wagh:** So while I cannot talk about the size of the project but definitely these would be diversifying our portfolio further. This would be more on the advanced intermediate side of the products. It would not be API centric so definitely it will further make our portfolio more robust and make it more derisk I would say but in the next coming few months itself you can wait for some positive announcements from our side on this front.
- Naresh Vaswani:** Okay thank you.
- Moderator:** Thank you. The next question is from the line of Avnish Khara from VT Capital. Please go ahead.
- Avnish Khara:** Hi thank you for taking my question. So my first question is on the China market I just wanted to get a sense of what is the right to win in the China market is it better compliance or some sort of technical excellence that we have in the work that we manufacture for them because I think it is a core market for us and it is a large high margin market as well so if you can just give us some colour on that?
- Saloni Wagh:** So yes in terms of this China market we have both on the client side as well on the quality side, in terms of compliance we are the only registered foreign source with an NMPA which is the Chinese regulatory authority for this product, we are also the only manufacturer to have the NMPA site approval we are audited and approved by them. There is a very positive quality of material that we produce for the China market, they do not follow the normal monograph they have their own Chinese monographs wherein the impurity levels are far more stringent as compared to any other monographs. They also have very specific requirements when it comes to the infrastructure, when it comes to the GMP compliance at intermediate level also for which we have invested in our site and we have created that infrastructure because of all these things we have been able to get a premium price in that market and that will continue once the situation stabilizes in that market so it is both a combination of the quality we supply to that market as well as the regulatory compliance that we have.



**Avnish Khara:** I think if I look at your geographical numbers then US slowly I can see a slight uptick over there so you are talking about future growth so is it safe to assume that US will be a key focus market for you going forward and if you could also help us understand what are the other markets you will be focusing on where the growth for your new products will come from?

**Saloni Wagh:** Yes like you very rightly mentioned we have seen some increase in the North American market and this is because we are getting good traction for some of our existing products there or when we talk about growth in market it will contribute largely to this growth because some of the other therapeutic category molecules which I discussed previously we see a very large market in North America so definitely as the next couple of quarters progress you will see more contribution from North American markets. Europe still continues to be one of our largest regulated markets. Even if you look at the numbers of Q3 the only impact which has happened is because of the long holidays which happen in December month and we are unable to ship during this entire month so whatever sales we were not able to do has been **(audio cut) 34:40** so as such we have not seen any sales loss for the Europe market as well so situation there also is stable and going forward one of these other therapies regulatory approval start coming Europe, North American markets, Latin American markets would be the larger contributors in regulated market space.

**Avnish Khara:** Right and I just have one last question I think there was a debottlenecking done in blocks A and B so how much of improvement that led to and what current utilization levels are you at on a consolidated basis?

**Saloni Wagh:** Currently the consolidated capacity utilization is at 72% and the debottlenecking has definitely helped increase the volumes of certain individual products wherein we were not able to get the larger model but overall we are at 72% currently.

**Avnish Khara:** That's it from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Shashank from Crescentia. Please go ahead.

**Shashank:** See my first question is after the investor wealth eroded are you sticking to a capex which you had planned and you published in your previous concalls or is there a change in the capex in terms of reduction of capex, my second question is that in slide #7 of the investor presentation where you see Asia contributing 50% of your total Q3 sales but for the last 15 to 20 minutes you are saying China is not contributing and that is the one major reason from



29% it is going to 50% that means Asia and China is a major portion is contributing so I want to understand is am I reading a wrong data or is it something else that is my question?

**Krishna Raghunathan:** You are reading the data in the other way around. I think see nine months FY2022 is 50% and nine months FY2023 is 42% and what has happened is in China the margins are pretty high but we were able to cover up most of the sales that is why if you see we have not seen much of a reduction on the topline. If you look at our topline we have not lost much but most of it had come and hit the margins so whatever you are saying nine months FY2023 highlights see whatever it is it is based on what do you call my topline numbers. My topline numbers I have not lost much so it is only that I had sold much in other Asian territories like what Dr. Saloni has already said about and with respect to capex specifically see some of these capexes like module E and certain other stuff which we had already committed during IPO times is what we are carrying forward and I do not think there is any change in any of our thought process in that so that is happening accordingly. I do not see any reason for us to stop and looking at our expanded portfolio which Dr. Saloni has just specified we believe that our revenues are only going to grow north and we do not see it is a major problem see whatever that has happened in this quarter is just an aberration and it is not something which is very permanent.

**Shashank:** Because I was referring to Q3 in specific only slide #7 I am not talking of nine months?

**Saloni Wagh:** Yes Krishna have already explained and even I have also explained this when I was answering about China. What has happened is when we consider Asia we also consider all of these south east Asian countries so in countries such as Indonesia, Vietnam, Malaysia or some parts of middle east we have seen a good nice volume growth so rightly said that in terms of volume there is not major dip because we were able to compensate through some of these other south east Asian markets that is why overall if you see the Asia revenue generation has not dipped at all but what impact the China situation has caused is on the margin front and yes also on the topline if the China revenue would have been generated our topline as well as our bottomline would have been significantly higher but we have been able to get the volume from some of these other south east Asian markets and that is the reason why overall there is no dip in terms of revenue generation from Asia and see most of this capex is driven for capacity enhancement without which the further growth in the portfolio cannot happen so capex remains the same. We are continuing with that because the doubling of the topline will only happen if we have a larger capacity for some of these other molecules in the portfolio to grow and we are going to see a very good traction of these in regulated markets and we will need that capacity.

**Shashank:** That is it from my side.



**Moderator:** Thank you. The next question is from the line of Jagvir Singh from Shade Capital. Please go ahead.

**Jagvir Singh:** Thanks for the opportunity so I want to know what is the percentage of revenue we derive from China in the last nine months?

**Satish Wagh:** Our CFO will answer but let me tell you something on China because some predictions is wrong at the end see China whatever CPM we were selling is not the major consumption of China. Chinese has got lots of big variants of tablets and capsules making combination units who cater all over the world and for that this is a GMP audited site only from India that is why the purchase was taking place and that too also from the beginning with limited quantity that you must understand it was told to us. If we do that suppose demand is 300 tonnes and you feel that I should export 150 tonnes not possible at all otherwise there is going to be hit on the antidumping duty from China which today we are also doing from our end. This was the thing which was from the beginning when we registered the product it was told to us you cannot continue to say as much as you want you have a restriction of a quantity if you exceed antidumping is expected on you and then you lose the business this is what I would like to inform you all this is the type of business in China.

**Krishna Raghunathan:** To add to Dr. Wagh see basically Chinese revenue is a very, very significant number see we do not want to answer very specifically with respect to China on the percentages but it is a very, very large chunk plus also a great margin contributor for us so by not having Chinese sale we had lost ground on the margins that is what I think the whole commentary is all about in this quarter so if we are able to recoup the sales as well as the margins I think our businesses would be skyrocketing that is how I can put it. I do not want to use any other adjectives beyond this being a conference call I think but if you could come one-on-one I think I could explain this further.

**Jagvir Singh:** My next question is regarding 15 days is already gone in this quarter so what is the ground situation right now so I am not asking about any guidance I just wanted to know so we may see some improvement in the margins and the topline in this Q4 over Q3?

**Krishna Raghunathan:** We do not want to guide anything for the market but this should be a better performance when compared to Q3. We would like the results to speak for itself Sir we do not want to unnecessarily guide the market and we do not want to raise any sort of an expectation with the people but yes having said that the performance of Q4 would be comparatively far, far better than Q3.

**Jagvir Singh:** But Q4 seasonally always higher for Supriya?



- Saloni Wagh:** Correct, it is seasonally also higher and like Krishna said that definitely our performance for Q4 would be better than Q3 performance.
- Jagvir Singh:** It would be better than because of Q4 is seasonally higher or there is some improvement because 15 days already gone so I just want to understand so there is any improvement in China part also not on the ground?
- Saloni Wagh:** The China situation will continue like I said in my speech earlier also. The China situation would remain the same at least for the next couple of quarters; however, some of the other therapeutic category products, we have 38 products in our portfolio and while some of the other products might not be very high in terms of margin contribution, we have seen good traction for these products in some of our regulated markets so that is the reason why we are confident that it would be better because these product contributions would be seen in Q4 of this year.
- Jagvir Singh:** Madam I just want to understand that if suppose in Q4 next year in the first half of the Q4 even Chinese situation does not recover so from the other markets we can make the losses in the Chinese market so we can make these losses in the other market?
- Saloni Wagh:** To compensate for the margin contribution that China was giving immediately would be very difficult because the number is significant but like I said we are working on a risk mitigation strategy so probably 3-4 quarters down the line yes we would be in a very strong position that even if the China situation remains as is some of the other products would have matured into the regulated market space and we would still be able to normalize our margins as well as our revenue but it would take at least a couple of more quarters for this situation to streamline.
- Jagvir Singh:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Tushar Bohra from MK Ventures. Please go ahead.
- Tushar Bohra:** Thanks for the opportunity, so my first question just to understand we have some products in Q3 in Europe which we have not been able to sell we believe it has got deferred to Q4 right so would these product be on a cumulative aggregate basis the higher margin contributor to the average I am taking 30% now as the benchmark given on this call is it fair to say that A) the dip in Europe the contribution in sales this quarter is because of this deferment and in Q4 once these products come in we should expect better revenue as well as margin contribution?





- Saloni Wagh:** Absolutely yes. Like I said in my speech as well the sales dip in Europe is not because of any sales loss it is only that the sales has been pushed into the Q4 because of the long holidays in most of the export markets actually once these shipments go through like I said before as well Q4 performance would be better in terms of revenue also and in terms of margins as well as compared to Q3.
- Tushar Bohra:** Would you be able to quantify or give some sense of how much revenue we are talking that has potentially got deferred?
- Saloni Wagh:** That is something that we will not be in a position to share on this particular platform but we are happy to talk in detail separately but in this platform it would be very difficult to give any specific number?
- Tushar Bohra:** Madam would it be safe to assume that against the average run rate of about not close to 100, 110 Crores for the last three quarters would we therefore expect significantly higher traction in the coming quarter?
- Krishna Raghunathan:** Of course Tushar you will see a better Q4. I think that is what we can say at this point in time yes it would be comparatively far, far better than Q3.
- Tushar Bohra:** Sure my second question is if you can help understand the new CMO opportunities a bit better including the ones which you are saying that have sort of progressed as well on some of the other if we can have some qualitative highlights and also the milestones of what we should look forward to?
- Saloni Wagh:** So in terms of CMO opportunities at the moment we have 8-9 concrete CMO opportunities most of these are wherein we would be a manufacturing certain advanced intermediates for multinational companies wherein the initial agreement has been signed and now we are in the process of tech transfer. Some of the CMO opportunities are also dicentric where we would be partnering with the innovator and we would be supplying their entire requirements from our GMP approved site so two to three projects are of this nature as well and then we have some CMO opportunities which are away from API and intermediates into more nutraceutical sectors so that would also definitely help in derisking our portfolio. In terms of how they are progressing most of them like I said are concrete opportunities when the initial agreements have been signed they are currently in the process of tech transfer and technical information exchange, two of these have moved to a very advanced stage and like I mentioned in my speech as well from Q3 of FY2024 we should be able to see some revenue contribution from these two opportunities. In the next coming month we

would be in a better position to give more concrete information and make announcement of these CMO opportunities.

**Tushar Bohra:** Thanks and finally on the new products that are being discussed on regulatory market so we should expect some more of products to start getting sold in regulatory markets in this financial year or rather in FY2024 and what kind of margin profile are we expecting for these products would it be in line with higher than the 30% guidance that we are sort of maintaining for the near term?

**Saloni Wagh:** We will start seeing the contribution from these other basket of products in regulated market sales from Q2 of FY2024 because most of these products we have still applied for the regulatory applications and we are expecting them to come very soon so from Q2 of FY2024 we can start seeing some good traction for these molecules. In terms of margin profile there would be decent margin generating products like we mentioned somewhere in the similar range of 32% of EBITDA.

**Tushar Bohra:** Thank you so much. I will join back in the queue.

**Moderator:** Thank you. The next question is from the line of Abhishek from Padmaja Investments. Please go ahead.

**Abhishek:** The management churn around like CEO leaving and again CFO leaving this kind of a churn around looks very bad on retail investor side even in today's call if you see very few institutional investors turned around even though you are aspiring to be a company in that CRAMS space, CMO space, CRL space it is turning out to be bad.

**Saloni Wagh:** I have clarified and I have explained that the management churn around we are talking about if we really look at the CEO stepping down we have mentioned it many times in the past and we have still clarified again and again that the CEO has just step down from the responsibility of CEO due to some of his personal reasons because some of his family members not keeping well he is not able to give as much time to the company but if you look at our company structure he still continues to be very much a part of Supriya team as a technical lead so let us address it once and for all that he has not left the organization just because of some of his family members not keeping well he has stepped down from the CEO responsibility but he has taken the responsibility of a technical lead and he still is with us for a lot of CMO opportunities and for technical advises. In terms of CFO which is the second thing in fact I have already mentioned that with Krishna coming on board for us as a new listed company this would help strengthen our finance aspect because he comes with a lot of experience running a listed company specifically in pharmaceutical sector for over 20



years so this should be in fact construed as a very, very positive step that we are trying to strengthen our senior management and in the next couple of quarters also you will see that we are further strengthening our senior management team on our side, on technical capabilities because we definitely see a lot of scope of growth for the company and to facilitate this kind of growth we need to have the right kind of technical people on board so if anything I feel that going forward and even now the complete focus of the management is to strengthen the senior management team.

**Moderator:** Thank you. The next question is from the line of Siddharth Purohit from InvesQ Investment Advisors. Please go ahead.

**Siddharth Purohit:** Earlier when you had discussed probably you have mentioned that we work more on short term contract rather than a very long term management with our customer so is there a change in strategy for the new molecules or new geography that we are making for because probably that is one of the reasons we have lost some sort of business so what is the new arrangement that you are looking for, for a sustainable growth?

**Saloni Wagh:** As you are aware the API market is very, very dynamic so most API companies and including ourselves when it comes to API we will continue working on short term contracts because the raw material pricing situation is so dynamic that if we get into a long term contract it might not be beneficial for the company but because the API space is more short term contract driven we are trying to derisk this aspect by introducing CMO opportunities wherein the advanced intermediate and API requirement with some of the multinational companies would be a long term like five years, seven years time so we are trying to derisk on that aspect. Then going forward it would be both short term as well as long term contracts.

**Siddharth Purohit:** Is your Chinese customer still like in touch with you or what is their feedback that whether they will continue business with you if things improve so what is their commentary on that?

**Saloni Wagh:** Absolutely they are in touch with us. That is why we are able to share in detail the current market reality of China and we have been sharing that over the last couple of calls as well. Like I mentioned that Supriya has a very strong position in China because of the regulatory compliance that we have and also the quality of material that we produce. We are also an NMPA approved site and like our Chairman said that most of the end users in China have approved Supriya as a primary source. As soon as the market stabilizes we would be their preferred source and the entire volume would start coming back to Supriya so it is just a matter of when the situation stabilizes. It will take definitely a couple of more quarters. It is

not short term. This is a long term impact on the market and for it to recover we are anticipating at least another two to three quarters.

**Moderator:** Thank you. The next question is from the line of Karan Asli from Maximal Capital. Please go ahead.

**Karan Asli:** Thanks for the opportunity. So just want to deliver on the China issue a little bit. Any thoughts on the local capacity in China have any local competitors increased the capacity or up the compliance game if you are aware of that?

**Saloni Wagh:** The local manufacturers in China historically also and even today they are non-GMP compliant that is why even companies like Johnson & Johnson, GSK who have their site in China still continue to buy from Supriya so in that aspect there is no change. They are still non GMP complaint so we are still their preferred source. Also in terms of capacity because the demand has gone down there is no further capacity enhancement also which has happened locally in China so this is the current situation what we understood from our agents in China.

**Karan Asli:** Right and would be it possible for you to segregate your demand in China into local consumption and export formulations?

**Satish Wagh:** I think when we decided to say like this because I have told you in my previous speech that we are supposed to cater certain quantity only if we exceed there would not be possible to ship one kg also because the day we do that antidumping duty will be done on us. Today you are seeing many of the items we are ourselves putting antidumping duties on them in result mainly industrial areas certain products are getting closed so we have a certain market, certain GMP standard, certain approvals and that is already on the website of the Chinese NMPA and CTA only foreign source Supriya ideal approved so that is why we are able to sell but not with 100% sales, limited sales that is my submission to you on China and I think China we have already discussed lot of things. Let us not to discuss on China matters again and again because the issue is same.

**Krishna Raghunathan:** Having said that like what the Chairman is ascribing to see you will not have 100% capacity out of China it is only that some of the capacities will be granted and that is what we are able to cater now that there is a drop in demand because of what Dr. Saloni has already said in the speech earlier that is why there is a dip in China at this point in time. I think this should be settled once and for all at this stage. I think that is the entire submission of the management on China.



**Karan Asli:** Sure and my next question is pertaining to the margins now I think you said directionally we expect margins to improve but at the same time China is not going to come back till let us say Q2 of next year at least and the regulated products also that we are pushing into the market will come in Q2 of next year so in the meanwhile what would be the more granular levers we have to get close to that sustainable margin that we have because that would mean that you would have to again come back significantly in term of 40 to 50% plus contribution so do you see that happening?

**Saloni Wagh:** Like I said before as well if you look at our revenue generation from the European it has not been impacted there is no sales loss as such. We are doing quite well the product portfolio and the basket there is very, very stable. It is just that some of the sales from Q3 has gotten pushed into Q4 due to the long holidays other than antihistamine range and Chinese market we will also have anesthetic range of products which are doing quite well and which are also one of the other major therapeutic categories for the company and are doing quite well in the regulated market space, so definitely we will see a lot of contribution from these therapies even antiasthmatic for that matter. You will see revenue generation from these therapies so that is the reason why we expect the normalized margin.

**Karan Asli:** In terms of how we expect to end this year I think our target was to reach up to last year's revenue levels do we think we will be able to match that?

**Krishna Raghunathan:** See at this point we do not want to give any sort of guidance but it looks like we might fall a bit short on the revenues when it comes to last year levels. Yes of course that is what is going to happen.

**Karan Asli:** Sure that was helpful. Thanks and good luck.

**Moderator:** Thank you. Ladies and gentlemen due to time constraint that was the last question for today. I would now like to hand the conference over to Dr. Satish Wagh for closing comments.

**Satish Wagh:** Thank you. I would like to thank everyone for taking time out and joining on the call. I hope we have been able to respond to your queries. If you have any further queries you may reach out to our investor relation partner Orient Capital. Thank you very much and have a good day.

**Moderator:** Thank you. On behalf of Supriya Lifescience Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.