



LASA SUPERGENERICS LIMITED

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Wednesday 18th August 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 June 30, 2021

With reference to our letter dated June 01, 2021 intimating you about the conference call with Analysts/Investors held on June 04, 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
Q4 FY2021 Earnings Conference Call”

June 04, 2021



**MANAGEMENT: DR. OMKAR HERLEKAR - CHAIRMAN & MANAGING
DIRECTOR - LASA SUPERGENERICS LIMITED
MR. HITESH WADHWANI - LASA SUPERGENERICS
LIMITED
MR. RAVI SHANKAR KABRA –CHIEF FINANCIAL
OFFICER - LASA SUPERGENERICS LIMITED**



*LASA Supergenerics Limited
June 04, 2021*

Moderator: Good morning ladies and gentlemen welcome to LASA Supergenerics Limited Q4 FY2021 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. 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!

Omkar Herlekar: Good afternoon everyone. On 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 and the financial year ended March 31, 2021. We have issued a detailed financial and press release. Hopefully, all of you had a chance to review it. At the outset, I hope that all of you and your loved ones are doing well even in this second wave and request you to get vaccinated if you are eligible at the earliest so that we can sail through this pandemic.

As always I will begin by giving a brief overview of the company followed by a review of the company’s financial performance. LASA Supergenerics is a leading LML Healthcare company engaged in the manufacture of veterinaries, Human APIs, and Animal Feed Ingredients.

We have multiple state-of-the-art WHO GMP certified manufacturing plants in the state of Maharashtra having total volumetric capacity of 5300 metric tonnes per annum. Further our manufacturing operations have significant backward integration linkages, which enable us to effectively cover all the aspects right from discovery to the delivery.

The USP of our company lies in our expertise in 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 manufacturing process for a specific product we apply for patenting of the process.

At the present, LASA owns multiple proprietary catalyst patents for its e-API products. Patenting our unique production process prevents competition from using the same process thereby providing us with a significant competitive edge and positioning it as a preferred



LASA Supergenerics Limited
June 04, 2021

suppliers amongst the customers. LASA bodes of a product strong portfolio consisting of a diverse mix of various products across the animal and human API segment. On the customer profile front, we have more than 400 customers across animal and human healthcare value chain including multinational companies, poultry and dairy industry and small and domestic formulators and traders.

Now, coming to the financial performance during Q4 in FY2021, we have seen a decline in our topline which was majorly due to the concentration of the vaccine procurement by the government. Most of our existing customers our suppliers to government against tenders and due to this ongoing pandemic and demand for vaccinations and other COVID drugs, there are very few tenders that are coming up by the government which ultimately has an effect on our company; however, recently the trend and improved and we saw a group growth in the demand and if the trend continues we should be crossing all our records this financial year. Let us hope for the best.

I am pleased to say that we have delivered a decent set of numbers in FY2021 led by robust consistency in the topline and bottomline year-on-year and also worked out a recommendation of dividend which we aim to continue for all the coming years with improved rates. This year it was just a gesture considering the cash flows used for debt repayment of the company.

As per our commitment to the revenues from operation we grew 21% year-on-year to reach Rs.20.37 Crores in FY2021. The growth in topline was led by strong traction in the company's key veterinary APIs and our key marketing efforts in these competitive markets. Export contributed approximately 40% of our total revenue in FY2021. EBITDA stood at 47.28 Crores with a growth of nearly 57%. EBITDA margins stood at 23.36%. Our PAT for FY2021 stood at Rs.22.80 Crores that is around 11.3% which is phenomenal growth of nearly 530% that too including a deferred tax liability it is compared to the same period in the last financial year.

Strongest bottomline performance in FY2021 was backed by our aim of zero finance cost and yield off higher EBITDA. After achieving nil finance costs our priority continues in focusing on our cash flows and more improvement on the return on capital. Our working capital cycle continues to improve, and we consider it as the best amongst of our peers which enables us to generate more healthy cash flow.



LASA Supergenerics Limited
June 04, 2021

In fact during FY2021 cash flow generated from operations were more than three times on the year-on-year basis Rs.241 Crores.

Now about the outlook going forward, we should definitely deliver a consistent topline with at least 20% to 25% CAGR. We are looking to launch soon two blockbuster products with all-time strong demand in the market. We are determined towards newly adopted dividend policy which takes to pay interim dividend every quarter.

I will not spell much on the outlook today. Let us our performance and the numbers speak on time. Thank you all for your kind attention. I would request the operator to open the floor for the question and answer sessions now.

- Moderator:** Thank you 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:** Thanks for nice presentation especially last line where we are told that the company has showed very good performance we are happy on that. My question is what about status of Unit II expansion?
- Omkar Herlekar:** Unit II expansion, we are shortly putting up a press release. You will come to know about whereabouts may be by tomorrow or day after the press release will be put detailed about what kind of products will be done and what are the number of what is the capex, which is done and everything, so I prefer it to communicate to investors through press release only.
- Vinay Pai:** My next question is I just wanted to know what is share in the world market on the key prime products that is Albendazole and other Fenbendazole. I have not heard too much of it.
- Omkar Herlekar:** As on date almost 60%.
- Vinay Pai:** We are having 60%.
- Omkar Herlekar:** In Albendazole we are world leaders right now.
- Vinay Pai:** That is what I wanted to ask.
- Omkar Herlekar:** We are world leaders in three products in Albendazole, second is Fenbendazole and third is Halquinol so on this three products are all really hosting products. We are really do a good



LASA Supergenerics Limited
June 04, 2021

on this product. All the three products are backed by granted patents from Indian government so there is entry barrier with the products also.

Vinay Pai: Very good Sir. Thanks so much. Last question was just I just missed it maybe I will come up later in the queue.

Omkar Herlekar: Yes definitely. Alternatively, you can mail me also. My personal mail id is omkar@lasalabs.com. You can mail it on that. You will get reply immediately.

Vinay Pai: Thank you.

Moderator: Thank you. The next question is from the line of Kiran Naik from Modi Fincap. Please go ahead.

Kiran Naik: Sir who are our listed competitors?

Omkar Herlekar: Currently, see as far as competition is concerned we really do not consider big as far as competition is concerned but however since you asked the question, similar product making company in the listed space are one is the Sequent Scientific, you must be knowing those are our nearest competitors and second is you must be knowing name called NGL Pharma so this both I will not be face-to-face at all.

Kiran Naik: Hester Bio is not a competitor?

Omkar Herlekar: No. I do not know what they are making but certainly they are not coming across any similar products in my portfolio.

Kiran Naik: Okay and we are not facing in the international market competition from China?

Omkar Herlekar: No not at all. At least we are also exporting. My exporters grown to 40%, 40% jump in the export.

Kiran Naik: For the year ending March 2022 what is our likely growth in the sales revenue?

Omkar Herlekar: I am expecting likewise in the last year, I also mentioned we will deliver whatever I spoke with you, I always try to be and plan to be more conservative side, the sustainable growth will be somewhere near to 20%.



LASA Supergenerics Limited
June 04, 2021

- Kiran Naik:** Near to 20% okay. Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Abhijeet Awlekar, an Individual Investor. Please go ahead.
- Abhijeet Awlekar:** Congratulations on the very good year results. Sir I want to know like last time you said that Albendazole export from China are at a very cheap price, and we are facing a lot of competition and there is a lot of issue about that that you said last time?
- Omkar Herlekar:** No. I am sorry. Last time, Albendazole prices from China are very cheap and we are facing competition. I stated this way that China is one of the competitors in Albendazole and in the future there might be threat if they slash out the price then our growth is directly proportional to what they are putting in the market, so this is what I have said. Currently Chinese price and our price is almost at par. We have not reduced our price for the sake of reducing because ultimately, it will give a hit on the bottomline which I do not want to do.
- Abhijeet Awlekar:** That was one of the doubt that I had in my mind when I saw the result anyway that is fine. So, my last question is, can you please provide us update about Progesterone. Did we get any kind of MNC contract or anything like that, a big one likely two years back like you have given like Albendazole, order of Rs.100 Crores like that did we get anything just I wanted to know?
- Omkar Herlekar:** Progesterone it is very highly regulated market and most of the customers who are there are all MNCs Only. You will not find any small company or local formulator who buys Progesterone. Mostly all the Progesterone is provided to all the regulatory buyers typically MNCs that is all. My market share is increasing. The market is already big. It is old product. We are trying to increase our market share gradually see what happens simply increasing market share does not make sense. We should improve the production capacity also and we should be able to deliver that quantity and everything, so we are going slow because it is a steroid item and we are giving steroid as you know steroid is the first introduction in our product portfolio, so we are going this is slow in order to avoid any regulatory noncompliance's or any FDA related actions, we usually prefer to be on a slow note as far as pickup is concerned. Once the pickup takes up than we can definitely sell in the market in the big quantity, so if you are asking me guidance about this thing so this year we are planning around here almost 30 Crores to 35 Crores of sales of Progesterone in this running year.



*LASA Supergenerics Limited
June 04, 2021*

Abhijeet Awlekar: As you said like maybe last or last I mean previous too that you are trying for registration of products into Russian and other markets also?

Omkar Herlekar: Albendazole is already registered in Russia. We have also started selling in Russian markets.

Abhijeet Awlekar: Okay, so I mean the export is going on, right?

Omkar Herlekar: You will see the growth in exports right now. This year there has been phenomenal jump in the export so the reason behind jump in the export is registration in the regulated countries like Russia and other cases where we were really not present so now we already present over there so the sales thing.

Abhijeet Awlekar: I am good. Thank you.

Moderator: Thank you. The next question is from the line of Rishabh Kochar from Edelweiss. Please go ahead.

Rishabh Kochar: Congrats on a good numbers for FY2021. I have two questions basically; first, is like what is the driving the Albendazole demand given there are so many competitors, and this is very old molecule per se so what exactly is the demand driver and how you guys are managing like to close in this molecule? The second question is like to have we done backward integration for the Albendazole to reduce the costs or we dependent on the Chinese player or some other players if you can just throw some light?

Omkar Herlekar: First of all my all products except a few, most of the products are fully backward integrated with no dependency on China. Most of the raw materials which I buy are local raw materials, most of the raw material you will say 95%-98% of the raw materials are local raw material except a very few like some of the things which are not available that we import that too, there are sources, like China is not only the source. We can import from Japan also, we can also import from Europe also so that, there are multiple sources so there is no Chinese dependency on our products first of all. Second question which you asked, how are we managing to grow in the Albendazole whether the product is growing and what is the reason for the growth in Albendazole, so product is not growing, product is as it is. Earlier, the product was being catered by our competitors and Chinese and Chinese counterparts so after that we are improved on facilities and our capacities. We are picking up the market share so if we just growth in market share. It is not growth per se in the demand of



*LASA Supergenerics Limited
June 04, 2021*

Albendazole. The demand is same, our market share has increased and going ahead also the market share will increase. The dairy industry is not growing that fast. Dairy industry as you know, 7% to 10% is a growth rate, it is not more. So Albendazole, we are procuring Albendazole or whatever and intervening derivatives which are used to de-worm all these cattle and all, it will see growth based on our capacity additions only. So this is one of the things. Secondly we are expanding our geography also like we are expanding in Russia. We have expanded in that some parts of Latin America. We have expanded with Middle East so this is the reason for the additional sales which is being reflected additional balance sheet so that is number two. Thirdly very important thing, we are backward integrated. We have our own IPR also. We have granted patents from the Indian government. So that is helping us to pertain any kind of local competition which is unnecessarily spoiling the market so people who are trying to copy our process particularly processed, this is the processes pattern since Albendazole is old product, it is not product patent. It is a processed patent, but our process is one of the very refined process because we use catalyst so somebody, tries to copy our catalyst or do something similar kind of work by using similar catalyst, the automatically falls in the purview of the patent infringement. So that is one of the very good USB we have or entry barrier that we have so that are the reasons for our leadership in Albendazole.

Rishabh Kochar: Thank you for the answer. I have one more question so like based on your technology of the products of Albendazole in terms of costing like is it like 10% to 20% cheaper than the competitor or like something like that if you can give broad idea?

Omkar Herlekar: Well, my RMC comes near to the selling price of the competitor rather vice versa. The RMC comes to my selling price. I am so sorry I interpreted so the cost head which I produce, basically the API is the cheapest in the market, the yields, the conversion ratios of the raw material to the finished product is cheapest because of use of the heterogeneous catalysts, which I am using in my process, we are patented. It not only increases the yield but also reduces the time cycle so the productivity increases, which reduces the effluent also, so the load of my environment also decreases then if it is more energy efficient. The catalyst is energy efficient so the steam, or the chilling or else whatever other utilities which are required to make the product are also less, so that is one, so catalyst as a multiple dimensional approach like to reduce the costing. So typically the EBITDA which comes over the RNC like for cost of utilities and direct or indirect cost most of the catalysts that will be lessened immediately there is a reduction in the costing so that helps us to have cutting edge over the others.



*LASA Supergenerics Limited
June 04, 2021*

Rishabh Kochar: I was spending data overall Albendazole exports from India has gone up drastically, so is there any the supply shifting to China to India like so most of the players are haunting for India that is why the overall exposes all increasing for Indian players? Am I right?

Omkar Herlekar: Nothing like that. India is always a strong player in Albendazole derivatives. Always the strong player in Albendazole derivatives, so let us say the competition from China India to my understanding, frankly I do not feel that it is to China is a threat for India as far as Albendazole that is typically, what we are seeing Albendazole and Fenbendazole is considered okay. So India has always trying to be on outreach because there is no dependency of raw materials as far as Chinese raw materials are concerned. In fact I am supplying Albendazole derivatives the Chinese markets. China is buying from me some of my derivatives. So there will be no threat from China in the coming years, I am sure about it, only we will have to keep a very crucial watch the market is not getting spoiled by any other countries, so we have intelligence scheme with us who continuously know monitor it that is all. At least I can say my market share will keep on growing.

Rishabh Kochar: That is it from our side. Thank you so much.

Moderator: Thank you. The next question is from the line of Madhur Kothare, Individual Investor. Please go ahead.

Madhur Kothare: A couple of questions I had. One is what is the main runway, which product will have the big runway now going forward and little bit about some new patent obviously not the details. But are you looking at some new molecules or new sectors inside this animal API, kind of field and the second question related to this will be what is the typical area of coverage in India you can cover for example, can we supply this product to Assam, our products to Assam very cheaply given the transportation cost, or do we have a limit like 500 kilometers or 1000 kilometers within which our products can be supplied economically?

Omkar Herlekar: I will answer your second question first. Basically, all over India, we are excellent coverage. If today, you go to any market who consumes Albendazole into dairy or poultry, they will demand LASA's material. They will ask for the LASA materials, if you go to Assam, you go to Chennai, you go to Odisha, if you go to Baddi and anywhere, LASA material is a branded material everywhere and people depend on us because of material is very extremely stable and it has excellent solubility, it has excellent impurity profile. Within years, we have become a very good brand for LASA materials, be it Albendazole or



LASA Supergenerics Limited
June 04, 2021

Fenbendazole or anything. As far as transportation cost is concerned, transportation, whether it goes anywhere, our product is a Supergenerics so our products are cost of Rs.2000 to Rs.3000 a kg so no one will never keep a record for the costly products. Like in Assam, behind the kg I will have to shell out Rs.15. not more like I am supplying my product from my plants are Chiplun. So, to transport the materials from Chiplun to Bhiwandi, the cost per kg for me it comes to around Rs.3 or Rs.2 or something like that. So it is not much. So as far as transportation is concerned it is insignificant. For me it is insignificant absolutely insignificant. So that is answer to your second question. Your first question was what kind of growth we are looking and into which product right if I am not wrong? So going ahead Albendazole now also I am doing the capex, so there is some capex is happening slowly and slowly from internal accruals, strictly from accruals, not from loans. So whatever expansion we are doing already to improvise the technology to be cost efficient, to have good backward integration controls, I am also going backward in Albendazole. I will announce it shortly. So I will go to such an extent that practically nobody can reach over there and frankly and very luckily I may say I have all the consents to make backward integration. I have environment clearance and I have also taken anticipating the situation and I have already taken the environment clearance for a larger quantity. So I have environment clearance, I have FDA clearances all the clearances are in place. We have a huge land bank of 50 acres so you can imagine how big the land is and currently only five acres is being utilized and remaining 45 acres in the blank land, so land bank is also not an issue. We have ample of power available, ample of the food available, not issue because it comes from Alibarg Jetty only, so it is very near to us. So, there are other conditions are very conducive and going ahead the growth will be coming through the existing products no doubt, no doubt through existing products work but we are also launching two blockbuster products. Blockbuster means solid Blockbuster products and giving a press release shortly. You will come to know what is the name of the product and on, but a solid blockbuster products, we are launching of a market size of a single product is around Rs.2000 Crores, big, very big market size for us, more bigger than Albendazole so such kind of Supergeneric product we are launching and it will be all time demand that, there is no reasonable kind of thing like in Albendazole the product seasonal but in this there is no seasonal at all. It is all time this thing so two products which will be launched, it will give growth in the next two to three years to come so this is what is we.

Madhur Kothare:

Last question will be we are getting good operating cash flows in specific ideas on deployment of those? Are you looking at, buying new companies or expand our current plants?



LASA Supergenerics Limited
June 04, 2021

- Omkar Herlekar:** I will not buy any new companies see because we are very good in projects and execution of the project. So execution of the project does not take more than six months. Six months more than sufficient to put up excellent project so rather than buying a company, which is always costly, it is always better to put our project because return on capital is almost 10x so deployed cash for the capex into 10 is equal to you expect turnover out of that particular capex. 10x of the capex is done. That is a thumb rule any kind of API industry so we will go through putting up the new blocks of this thing since we have land bank also, and environment clearances also, so we will go by the Brownfield expansion if you may say.
- Madhur Kothare:** Tell us a little bit about Harishree if you can please?
- Omkar Herlekar:** Harishree already everything is in the public domain. The scheme is approved and shareholders' approval also and it is getting merged. We are waiting for the NCLT nod which is CCM is scheduled on June 12, 2021, at 10:30 a.m. in the morning. So after that further course of merger will go on.
- Madhur Kothare:** Thank you very much. That is from my side.
- Moderator:** Thank you. The next question is from the line of Vinay Pai, an individual investor. Please go ahead.
- Vinay Pai:** Can you tell us more about Harishree what exactly the company does and how beneficial it will be for LASA shareholders and all that? That is my first question.
- Omkar Herlekar:** First of all, LASA shareholders are getting Harishree for very damn cheap. If at all we had to buy Harishree kind of a unit from outside it would have cost us nothing less than Rs.100 Crores. Today Harishree is having a big factory located in Ratnagiri and it is completely 100% doing job work for LASA basically and it is manufacturing Albendazole which is one of our top three products. It is one of the big products. So Harishree is exclusively manufacturing Albendazole from scratch to end. From scratch to end we are manufacturing Albendazole in Harishree and as you know for Albendazole it is animal feed derivative and it has been bought up by very big multinationals and it contributes to around 25% to 30% of our topline on Albendazole. So it is a very big opportunity. Secondly, the reason for merger of Harishree already made clear so LASA it will add onto the gross block of LASA also. It will add on to some of the new contents which are not available earlier in LASA. So LASA stands to get the mileage of those consents also. Secondly, very important and interesting



*LASA Supergenerics Limited
June 04, 2021*

thing about Harishree is that it has all the regulatory approvals to make this Albendazole and Fenbendazole which otherwise LASA does not have because it is making this feed ingredient, it requires some special kind of approvals because otherwise LASA does not have so, we will get a benefit of this and right now if you do the actual realistic valuation of Harishree, it is definitely more than what we are merging it for so, and it is nothing big deal. It is just only 5% of equity implementation in LASA, which is happening almost approximately throughout the merger of Harishree which will definitely reap very sweet fruits. I can vouch on this it will reap very sweet fruits.

Vinay Pai: The paid up capital will be Rs.50 Crores as compared to Rs.40 Crores so it will be 25%, increase in the equity of LASA?

Omkar Herlekar: No. It is not 25% increase in the total equity. It is not like that.

Vinay Pai: The paid up capital comes to Rs.50 Crores after the merger whereas right now 40.2 Crores or something so it is Rs.10 Crores over Rs.40 Crores is the Rs.25 Crores increase in paid up capital?

Omkar Herlekar: Frankly speaking, I am really not expert to answer this technical question. I will put you in touch with my person who is handling this particular scheme as far as equity and all is concerned, you can directly talk to him, Mr. Pai, you can drop me your telephone number on my e-mail address, I can immediately connect into you, you can directly talk to him. Mr. Pai, Mr. Kabra is already there on the line. He will explain to you. So this question is not delayed.

Kabra: It is important point what Dr. Herlekar had missed out is that currently at present LASA is paying job work charges to Harishree. That is at cost to LASA at present. So once Harishree gets merged into LASA the cost will not be incurred and that will directly add to our bottomline. That added advantage as far as LASA is concerned and dilution of capital is concerned as you rightly said it will increase from Rs.40 Crores to Rs.50 Crores. So if you see in terms of advantage to LASA, this is going to be much more than as Dr. Herlekar has said that ROI in terms of addition to capital, return on capital investment is going to be much higher because the job work charges which are at present we were paying to Harishree will not be there. That will be a savings in terms of cost to LASA.



LASA Supergenerics Limited
June 04, 2021

- Vinay Pai:** Because why I asked this question is if we see results of Harishree that you have posted in the document it is that turnover is hardly Rs.3 lakhs or Rs.4 lakhs.
- Kabra:** That is the turnover, but there are other incomes. There is Harishree competing with job work charges, depending on the production it varies from 2 Crores to 3 Crores or something like that, job work charges. Those are the job work charges being paid by LASA to Harishree.
- Vinay Pai:** Now the question to Dr. Herlekar. Sir, this process patents that you have those patents are owned by LASA or are they owned by some other companies?
- Omkar Herlekar:** It is 100% proprietary ownership of LASA. You can open our website also. On the website, you will get all the granted patents, the granted patents, not filed. On the website, all the patents are the photos of the patents are being put up. You can see it.
- Vinay Pai:** Fine. The next one is we saw a drastic reduction in the topline as compared to the previous quarter, lots of people have written about this in the markets. So, why is a drastic reduction happened in this quarter, Q4 quarter?
- Omkar Herlekar:** See, in my concall speech I have already mentioned this. I thought that you must have gone through it. See, during the Q4 in FY2021 we have seen a decline in our topline, which was majorly due to the concentration of the government on procurement of the vaccine, most of our existing customers are suppliers to government against the tenders and due to the government pandemic and demand of vaccination, there are a very few tenders that are coming up by the government, which has ultimately affected our topline. This is the reason. The receivable trade is improving also. We saw a good growth in the demand and if the trend continues we should be crossing all our records and barriers in this financial year.
- Vinay Pai:** The last question is your new blockbuster molecules that are coming, what could be the commercial date of start of that and when will it reach the full capacity?
- Omkar Herlekar:** Right now we have procured all the reactors. We have almost procured around 17-18 reactors, almost a debt free capex we have done. It is purely through accruals. Do not worry. There is no loan from balance sheet. A good number of reactors we have put on. We have bought the reactors just now. The reactors have reached our plant. Now to erect it and commission it at least three months from at least one quarter will just go away. This quarter



LASA Supergenerics Limited
June 04, 2021

has gone by but may be by first week of August it should be done. Production should be started by August or September.

Vinay Pai: Perfectly right Sir.

Omkar Herlekar: So from Q3 you will start to see the production.

Vinay Pai: How long will it take to achieve the full capacity of the plant?

Omkar Herlekar: Full capacity will be at least one year.

Vinay Pai: Okay.

Omkar Herlekar: Let me tell you one thing, this plant at its full capacity then till that we will increase the capacity because the product which I am talking about right now is a 2000 Crores product, single product, single product of Rs.2000 Crores. And we are launching it with fully backward integration with some advance novel catalyst system, I will tell in the press release everything will be mentioned. You will come to know what we are doing. So it will be a novel fully backward integrated product. So, nobody will be able to compete us in this product. I will bet on this. You can take my words. It will be a very good product and for the next two, three years, we will not be able to see anything like this in other products, because this product we will go on increasing and we will go on putting blocks and blocks and blocks. So that is what we are planning. Because I am telling you the greater number of products, the more the number of raw materials, the more the number of regulatory approval, the greater number of hassles, so there is no fun at all. If we put two, three, four products then it will be great. For example, like in Albendazole we have a topline of 2000 Crores if we bring out four products like that then this will be around 3000 Crores to 4000 Crores of the topline. So unless and until we reach a topline of 600 Crores to 700 Crores, these all five, six products, savory products will take care of that with the bottomline also and with low risk profile also, because risk profile is also very important. We have to go around the regulatory approvals for not so good products, it does not make any sense. That is what I feel. So, we will do it with peaceful. Let us pickup blockbusters only, so that we need not diversify into multiple products. Multiple products now also it will be risky for a B2B segment and not for B2C. B2C is totally a different ballgame. So us to do API segment, less the number of products is always better, please understand.



LASA Supergenerics Limited
June 04, 2021

Vinay Pai: Do not you have any plans to go to retail market? Can I buy a bottle of Albendazole in some the local pharmacy?

Omkar Herlekar: Very frankly we aspire to do that, but we will be doing it through acquisition because formulation is not my expertise. My expertise is catalyst chemistry, doing Supergenerics APIs in a cheap way, this is all to reduce the GP of API, these are all my focus. So, I will be definitely interested to go for formulations, but if I get a good opportunity to buy out a good unit, for making formulations with some reputed brands, so I will definitely do it. We are on a hunt for it. We will search for it.

Vinay Pai: Actually the margins are very high. In retail the market for Albendazole it will be quite high. It will be 30%, 40% or more than that.

Omkar Herlekar: Mr. Pai, I appreciate, but I will tell you one thing, in retail, the margins are high only for ethical business. Your ethical business like medical representatives in that only the margins are high, for the B2B, because in formulations also in retail, B2B is there, you must be knowing, that is called the generic business. In generic business there is no margins, only loss is there. Please believe and many people have burnt their hands in doing this retail business. The people who have done ethical brands you must be knowing ethical brands, in the ethical brands, there is a good amount of money. I do believe you, but the ethical brands are not done overnight so it takes years and years. Because of that only we are looking for an acquisition whereby we get some ethical brands to buyout. Once we get that thing to buyout, then we can add on in the basket, because once the ethical is done, then in that the marketing network is already established. To establish an ethical marketing network pan India, it takes so much of effort this will defocus on my current API business. I do not want to defocus on my business. Right now we are all of our key management personnel are focused on this API business. Everybody knows ins and outs of this. So first of all, let us bring the cash on the balance sheet, let we bring around 200 Crores, 300 Crores cash surplus in the balance sheet. If you ask me my vision for the next two, three years, this is what I am looking for. There should be the balance sheet cash surplus. We have not seen such a thing in our years of experience. Today we have seen the good amount of surplus, in spite of doing capex now in the next quarter you will see in spite of doing capex, my balance sheet is not eroded. My balance sheet is not eroded in spite of doing capex. So that is something which is to be considered about.



LASA Supergenerics Limited
June 04, 2021

- Vinay Pai:** Absolutely. Sir, your catalyst is still very expensive. Where do you get it from? I mean you get it from the market, or you make it yourselves?
- Omkar Herlekar:** I make it on my own.
- Vinay Pai:** Very good. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Alisha Mahawala from Envision Capital. Please go ahead.
- Alisha Mahawala:** Good afternoon. Sir, I have two questions; while you mentioned that **(inaudible) 42:22** share details shortly, so current capacity what is your utilization level?
- Omkar Herlekar:** Current capacity, our utilization level is almost 90%.
- Alisha Mahawala:** Sir, this is absolutely, it is completely utilized any growth further will happen out of the new unit that you are talking about?
- Omkar Herlekar:** Anything will come from the new unit as well as the debottlenecking of the existing units, also, which are going on continuously.
- Alisha Mahawala:** Second I wanted to understand that in the last three to four quarters, your margins have crossed at 20% and this quarter is about 22% to 23% just wanted to understand is there a particular reason for the increase in the margins and are they sustainable?
- Omkar Herlekar:** Yes. See margins are definitely sustainable unless and otherwise something ridiculous thing happens something like the crude goes very clearly and all this. Last time when the margins had come down, there was a huge debt on the balance sheet also. Now it is almost a debt free company. So, we hope that the margin would not be eroded much maybe 2%, 3% here and there maximum nothing more than that.
- Alisha Mahawala:** Sir, would you like to comment on what has helped you to improve your margins on a portfolio basis and 18% to 23%?
- Omkar Herlekar:** See because there were new geographies which opened up, like Russia, then Middle East. There are different geographies which we explore. Our export was earlier hardly 17%. It has jumped to 40%, you will see. So, 40% of export has given us that much and even the



*LASA Supergenerics Limited
June 04, 2021*

dollar benefit we got when the dollar had gone up in the recent past. So, some benefit came out of dollar also and some of the benefit was because of the export geographies also. So this was the cumulative reason. But yearly I will tell you the data margins will fluctuate between 20% and 25%, it will be like that only.

Alisha Mahawala: 20% to 25%.

Omkar Herlekar: Yes exactly.

Alisha Mahawala: Thank you Sir.

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

Abhijeet Awlekar: My next question is I have asked a few questions earlier, but I also have a few questions now. How many R&D persons are there in the company currently?

Omkar Herlekar: We have around 20 guys.

Abhijeet Awlekar: 20. Last question is about Harishree. I see after doing there are two patents on Harishree that Harishree has filed. So, after merger, I mean what I mean to say are those patents getting utilized currently in LASA or in current unit II? Or do we want to create some products based on this?

Omkar Herlekar: We are currently using all the IPRs in LASA only. We are not doing anything in Harishree because Harishree does not sell anything to anybody. So, there is no question of Harishree. So all the patents will be transferred to LASA post the merger.

Abhijeet Awlekar: No. My question was a little bit different. What I am trying to say is the few patents which are filed on Hari Shree's name are they getting used in the specific somewhere or do we want to, or are we going to create some new product which is used as patents?

Omkar Herlekar: Definitely the processes will be used to for the prospective products, which we are planning in Harishree which will be planned now in LASA only.

Abhijeet Awlekar: So, as I understand these patents are currently not getting utilized, right now?



*LASA Supergenerics Limited
June 04, 2021*

Omkar Herlekar: Those patents are currently not getting utilized because those are not granted patents. Those are only filed patents. We have not got the grants of that patent. It becomes into force when the grant is being allotted by the government. If you go into my LASA website, you will see the granted patents of LASA. When the patent is granted then you have the right to file litigation suit against anybody who is violating your patent. In the case of Harishree the patent will not get granted yet. It will get granted after the approval. So, when it is granted then they will start the production. See, as a matter of policy, we do not go into those products, where there is no IPR benefit. If and only if patent benefit is there then only we can produce this product or not. This is my simple way of lookout because we have been experiencing and we have also did it. As you know, our litigation is going on with almost 11 companies. With 11 companies we are having an outbound litigation, those who have violated our patent. So, this will go on. The people who try to barge into our products using our technology we will certainly sue them. That is what we have made a very bold and clear. We have dedicated team of advocates to identify such kind of infringement and to file them into requisite jurisdictions to inhabit them from making our products by our process. Let me again say these are process patents, so using our processes is not allowed. They can use different process and make it but our process they cannot copy.

Abhijeet Awlekar: My last question I just wonder if it is a right call to raise this question like the patents which Harishree will get granted, can we talk of the products, which can be manufactured by your clients for them, or you will be talking on that in the next call?

Omkar Herlekar: My upcoming press release is coming, in that everything will be made clear. Right now I do not want to talk more in the conference because there is nothing in the public domain. So, let it come on the public domain and you can directly send mails to legal@lasalabs.com cs@lasalabs.com you can take my email address also, omkar@lasalabs.com. So, you can write to me anything, and I will reply to it to you within 48 hours. Do not worry.

Abhijeet Awlekar: Thank you Sir.

Moderator: Thank you. We take the next question from the line of Ajit Kumar an individual investor. Please go ahead.

Ajit Kumar: What kind of growth can we foresee on quarter-on-quarter basis from now, Mr. Omkar?



*LASA Supergenerics Limited
June 04, 2021*

Omkar Herlekar: Sir, quarter-on-quarter it is very difficult to comment, but year-on-year I can give you some nice guidance of around 20%. Quarter-on-quarter I request all the investors that please do not judge us by quarter-on-quarter growth or decline. What happens 2% or 3% decline in the revenue quarter-on-quarter it is taken negative, but I do not think it is to take that. You see for the entire year; how much EBITDA was generated or how much PAT was generated. You have to evaluate on the basis of PAT. You see on the absolute number of PAT. So, last year we did around 29 Crores or something, which we have deferred tax liability is around 22.5 Crores of PAT. So, on that basis you can judge me. I am very much happy to justify that but quarter-on-quarter it is difficult because there are seasonal products sometimes, sometimes, regulatory hassles are there, like MPCB and there are many hassles you must be knowing. So we must combat all this. So after doing all this it is difficult to deliver it on quarter-on-quarter.

Ajit Kumar: What kind of growth impact you see due to this COVID surge, does it impact any kind of market share or market growth for you?

Omkar Herlekar: Not market share certainly neither market growth also. See, what has happened, the government has defocused its attention over non-essential thing. I will tell you in short. Earlier, this Albendazole used to be administered to children in the school, because there used to be a deworming campaign, everywhere in India, but now since the schools are closed these deworming campaigns are closed. Again the demand for dairy things like ice creams, paneer, and other chocolates, etc., which require a lot of milk because of the essential commodities people are little defocused on this dairy industry like as you must have seen most of the people have stopped eating ice cream also because of the fear of COVID. So this has given an indirect hit to the dairy industry because of which the last quarter was a little grey quarter, you must have seen. This was the actual reason and then the government was also focusing not on this non-essential commodities, government was focusing on Favipiravir, on the Remdesivir, on vaccines, so this was the main focus of the government, and our particular product goes into tender business. So, most of the sales, which is happening is through tenders only right now. So that has given a hit on Q3 topline. But this is seen reversing and please do not judge us by this COVID thing. This COVID is not going to last for long. It is hardly three, four months this COVID will finish off. So, you do not worry that there is a dip in the topline in the last quarter will be compensated in the upcoming quarters.



*LASA Supergenerics Limited
June 04, 2021*

Ajit Kumar: I have a couple of questions, Mr. Omkar. One is on the competitive advantage, how many products do you have considering the competitive advantage with your competitors?

Omkar Herlekar: I did not get you. Can you please redefine your question?

Ajit Kumar: The products or molecules where you have competitive advantage, how many such products you have?

Omkar Herlekar: All products. We do not work with any product where there is not a competitive advantage. All products have competitive advantage. All products are patented. All products are backward integrated.

Ajit Kumar: So we could see here last year that we had done certain work on COVID side as well.

Omkar Herlekar: Yes on active doses.

Ajit Kumar: So, what is the update on that, you have done work with the government agency is bringing certain regimes for chronic. What is the update on that?

Omkar Herlekar: Update means, the products which I was planning to push up in the government to get Favipiravir to bring it into the market and allow Favipiravir registration in India, which is already done, right now majority of the patients recovering out of COVID are getting Favipiravir and in turn right away check my tweaks on my Twitter account since March 2019 when COVID just stepped in March 13, 2019, I remember it came in India, so from that time onwards, I am very actively pursuing the Favipiravir and I can even need be showing you my publications with the DCGI, with the Health Ministry and with many more agencies which are parallelly running with the government to bring this Favipiravir registration in India, which ultimately happened. There was a heavy lot of followup from my side and ultimately this Favipiravir got registered in India and because of this right now the mortality rate has also come, and the patients are getting revived. The moderate patients are getting revived within a week's time, four to five days they are recovering more or less symptomatic. So, this is the outcome of our efforts.

Ajit Kumar: Thanks a lot Mr. Omkar.



LASA Supergenerics Limited
June 04, 2021

Moderator: Thank you. Ladies and gentlemen as there are no further questions with that we conclude today's conference. We thank you all for joining us. You may now disconnect your lines. Thank you.