



Pharmaceuticals Limited

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Date: 06th June, 2024

To,
The Manager,
Corporate Filings Department,
BSE Limited,
Phiroze Jeejeebhoy Towers,
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Mumbai- 400 001

The Manager,
Listing Compliance Department,
National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051.

Security Code: 532815

Symbol: SMSPHARMA

Dear Sir/Madam,

Sub: Transcript of the Conference Call held on 31st May, 2024.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find the attached transcript of the Conference Call held on Friday, 31st May, 2024 for the fourth quarter and financial year ended 31st March, 2024.

A copy of the said Transcript is being uploaded on the website of the Company www.smspharma.com

Kindly take the same on record and disseminate on your website.

Thanking you

Yours Faithfully

For SMS Pharmaceuticals Limited

**Thirumalesh Tumma
Company Secretary**



“SMS Pharmaceuticals Limited
Q4 FY ‘24 Earnings Conference Call”
May 31, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 31st May 2024 will prevail.



**MANAGEMENT: MR. VAMSI KRISHNA POTLURI – EXECUTIVE
DIRECTOR
MR. LAKSHMI NARAYANA TAMMINEEDI – CHIEF
FINANCIAL OFFICER**

Moderator: Ladies and gentlemen, good day and welcome to the SMS Pharmaceuticals Limited Q4 FY '24 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' lines will be in the lesson 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 star then zero on your touchtone phone. Please note that this conference has been recorded.

Today we have with us Mr. Vamsi Krishna Potluri, Executive Director, Mr. Lakshmi Narayana Tammineedi, Chief Financial Officer. I now hand the conference over to Mr. Vamsi Krishna Potluri, Executive Director. Thank you and over to you sir.

Vamsi Krishna: Good morning everyone. Thank you for joining the Earnings Conference Call to discuss the financial performance for the quarter in the year ended 31st March 2024. I hope everyone must have got an opportunity to go through our financial results and the investor presentation which has been uploaded on the Stock Exchange as well as our company website.

I am pleased to highlight that for Q4 FY '24 our revenue surged by 65% year-on-year to a record INR246 crores. For the full year FY '24, revenue increased by 36% to INR709 crores compared to INR522 crores in FY '23. We observed strong growth on all our product segments fuelled by an increase in sales volume.

Our product mix has improved due to strategic emphasis on high margin products and therapeutic segments that are in high demand in the market. Our strategic focus on backward integration has enabled us to effectively manage raw material costs and mitigate price fluctuations. This has been a critical factor in maintaining stability in our product portfolio and gross margins.

Our efforts in cost optimisation and enhancing operational efficiencies have been instrumental in improving our EBITDA margins which has increased by 601 base points to 16.4 in FY '24. Q4 FY '24 PAT saw a remarkable increase of 178% year-on-year reaching INR17 crores. For the full year FY '24, PAT amounted to INR50 crores, a significant turnaround from a loss of INR7 crores in FY '23. The Board has recommended a final dividend of INR0.4, 40% per equity share, a face value of INR1 each for FY '24, reaffirming our commitment to delivering value to our shareholders.

Some API segment highlights Q4 and FY '24 revenue for the API segment stood at INR242.1 crores and INR698.1 crores respectively. Q4 and FY '24 API segment contributed approximately 98.5% and 98.4% to the consolidated revenue. Within the API segment, 11% of the revenues came from the domestic market and 89% from the export market including deemed exports for Q4 FY '24.

Within the therapeutic area, ARVs, anti-retrovirals contributed 16%, anti-diabetic contributed 29%, anti-migraine 14%, anti-ulcer 7%, anti-epileptic 3%, anti-ED 5% and anti-inflammatory 19% and the rest contributed to around 8% to the total sales for Q4 FY '24.

Now coming to segmental highlights, the ARV segment has contributed approximately 20% to our top line for the full year. We anticipate maintaining the ARV segment's contribution at pre-COVID levels in the coming years. The demand for ARV products remains stable, supported by a strong market presence and strategic partnerships.

We have undertaken several initiatives to enhance our ARV product portfolio and improve our production capabilities. These efforts are aimed at ensuring that we can meet ongoing demand for ARV products and maintain our leadership position in this critical therapeutic area. The ibuprofen segment has demonstrated remarkable performance throughout FY '24.

Sales for ibuprofen in Q4 FY '24 nearly doubled compared to the previous quarter, driven by a widening customer base and increasing traction with existing customers. This product has consistently performed well in our portfolio and we expect this trend to continue. Our focus on optimising the production process and maintaining stable raw material prices has been a key to sustainable growth in the ibuprofen segment.

We are confident that our strategic efforts will enable us to further strengthen our position in the market and continue to deliver robust sales performance. The anti-diabetic segment has been a standout performer for our company in FY '24. Our strategic focus on high demand therapeutic areas has led to rapid growth and strong market penetration in this segment.

The sales volume from our anti-diabetic products has shown a substantial increase, driven by both new product introductions and an expanding customer base. We are committed to further enhancing our presence in the anti-diabetic market. Our pipeline includes several promising products that are currently under development and we anticipate their introduction will continue to drive growth in the segment.

Our goal is to meet the increasing market demand and to provide effective and innovative solutions for diabetic management. Now coming to the business outlook, looking ahead we are excited about our plans for FY25 which include a capex of approximately INR150 crores. This investment focuses on backward integration and new product lines, enhancing our production capabilities and introduction of high margin products.

The capex will be funded through a combination of internal approvals, term loans and a recent fundraise via convertible equity warrants amounting to INR114.3 crores. These investments are aimed at driving future growth and ensuring we have capacity to meet increasing market demand.

Our R&D efforts also remain directed towards high demand therapeutic areas, ensuring a robust pipeline that will drive future growth. We anticipate sustained growth in our key market segments, particularly in anti-diabetic products and ibuprofen, supported by stable raw material prices and an expanding customer base. In conclusion, FY24 has been a landmark year for SMS Pharmaceuticals Ltd.

Our robust financial performance, strategic focus and commitment to operational excellence positioned us well for continued growth and value creation for our stakeholders. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Yug Modi from AP Capital. Please go ahead.

Yug Modi: Hi. Thank you for you for the opportunity. Sir, I just had a couple of questions. Sir, as you mentioned, the ibuprofen segment has shown remarkable growth. What are your expectations for this segment in the coming quarters?

Vamsi Krishna: Thank you for your question. So, definitely, I think ibuprofen quarter over quarter, again, as we discussed in the last conference call, we are adding more customers in every quarter. We are adding more geographic segments as well.

So, definitely, there is a very big potential on this product. That's why we have done a very big capex in the last year on this particular product. Definitely, I think there is a good possibility of increasing it by 30% to 40% in the coming quarter. And quarter over quarter, definitely, you will see a growth for this next financial year.

Yug Modi: Okay. So, the ARV segment saw a temporary decline in Q4. What measures are we taking to stabilize and grow this segment in the FY25?

Vamsi Krishna: So, see the contribution, see the sales from that segment are, I mean, it's not de-grown by much. It's like a very minor de-growth. But when you see the contribution probably has decreased from the total revenue, that is because we've increased the total revenue and we've reduced the dependency on ARV products.

So, probably, that contribution on the total has probably reduced. But as such, this thing has probably, maybe, marginal reduction, but not much. And also, one more thing is ARV segment, we do on sale mode and job work. You know, one quarter, we might have job work where that will not be contributing to the sale. And maybe in another quarter, we might be having a sale. So, in end of the day, the quantities that we are manufacturing is more or less similar across all the quarters.

Yug Modi: Okay. So, can you provide more details on the 150 crores capex plan for FY25 and what specific projects or expansion will this capex end in?

Vamsi Krishna: So, it is, for general, like, we have plans on hydrogenation block and, you know, warehouse and, you know, a few other backward integration on a few of the key products. And, you know, like that, I think, it's not 150 crores immediately. It will be stretched for a period of eight to nine months in order to meet our capacities and margins.

Yug Modi: So, lastly, what will be the expected timeline for these new projects to start contributing to revenue and what could be the possible asset turnover and margin profile for the same?

Vamsi Krishna: So, we are anticipating the contribution to come in from next financial year, FY26.

Moderator: Mr. Yug?

- Yug Modi:** Yes, that's all from me. That answers my question. Thank you.
- Moderator:** Thank you. The next question is from the line of Aditya Sen from RoboCapital. Please go ahead.
- Aditya Sen:** Hi. Thank you for the opportunity. Sir, more on the INR150 crores capex, that is a backward integration capex, right?
- Vamsi Krishna:** I'm sorry, could you repeat it? You broke off in between. Can you please repeat your question?
- Aditya Sen:** The INR150 crores capex that we are talking about, that is a backward integration capex, right?
- Vamsi Krishna:** So, it is a combination of multiple things, not only -- some for backward integration, the other one is we are building a new block for hydrogenation, dedicated block for hydrogenation, and a warehouse for expansion and storing of raw materials. We are running short of space. And multiple segments, not only -- obviously, I think more than 50%-60% is towards backward integration, but the remaining 40% is for some other activities.
- Aditya Sen:** Okay, all right. And this will be funded from internal approach?
- Vamsi Krishna:** Yes. As I mentioned to you, right, I think this will be funded through convertible equity warrants that have been issued to the amount of INR114 crores and through working capital and through term loan as well. And some through internal approvals as well.
- Aditya Sen:** All right. And about ibuprofen, how much revenue came in from ibuprofen in FY'24?
- Vamsi Krishna:** So it contributed close to around 19%, as I was explaining in my this thing, out of IN700 crores, it's contributed close to 19%.
- Aditya Sen:** 19%, all right. And how much growth do we see in FY'25 in this product?
- Vamsi Krishna:** Definitely, I think we are anticipating to touch close to 25% to 28% in the next financial year.
- Aditya Sen:** 25% of total revenue?
- Vamsi Krishna:** Yes, 25% of total revenue.
- Aditya Sen:** Okay, all right. And total revenue growth and margin growth that we foresee for the coming two, three years, aspirationally?
- Vamsi Krishna:** So we are anticipating for the next financial year, maybe 20% to 25% growth on top line. And even the revenue also growth will be probably around 25% conservatively.
- Aditya Sen:** All right. Thanks for the answers. Thank you.
- Moderator:** Thank you. The next question is from the line of Payal Shah from Billion Securities. Please go ahead.
- Payal Shah:** Thank you so much for the opportunity. I have a few questions. First, how are you managing potential fluctuations in raw material prices and supply chain disruption?

- Vamsi Krishna:** So with respect to raw material prices in fluctuation, to be honest, over the last six months, we have not seen any major fluctuations in raw material prices. I think few solvent prices have been increasing here and there. But when we are looking at it in most of the products, we are mostly not importing it.
- It's mostly procured locally out of India or we are manufacturing most of the products. So I think there's a very handful of products that we are importing from other countries. And we have already signed annual contracts also for some of the key products that we are importing. So annual contracts, so we are sort of protecting ourselves from this price fluctuation.
- Payal Shah:** Thank you. My next question is how has the focus on backward integration helped in managing raw material costs and what further steps are planned in this direction?
- Vamsi Krishna:** Definitely, I think majority of our R&D budget is -- at least almost 40% of our R&D budget is being catered to try and see on cost optimization, process improvements, backward integration to make sure that we improve the margins. As you can see, since last year I think our margins have improved drastically because of our focus on this particular area.
- Payal Shah:** Okay. Sir, my next question is can you provide more insight into the increase in employee expenses and other costs in Q4 and how do you plan to manage these costs going forward?
- Lakshmi Narayana :** So the employee expenses increased in the last quarter is the year-end provisions and some managerial remuneration also.
- Payal Shah:** Okay. And should we expect them to be at the similar level going forward?
- Lakshmi Narayana:** No. Only the one-time cost only. The fourth quarter only it can come.
- Payal Shah:** Okay. And lastly, sir, could you elaborate on the growth drivers for the anti-diabetic segments and the plans for new product introductions in this area?
- Vamsi Krishna:** With our existing product, we have a good market share in some of the regulatory markets and going forward, I think few more regulatory markets are opening up from the patent opportunity. So definitely, we will be launching this product once the patent has expired in those countries and definitely will be a good opportunity for us to increase our revenues.
- Payal Shah:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Ankur Agarwal from RC Wealth Solutions Private Limited. Please go ahead.
- Ankur Agarwal:** Margins this year has been very low though it has been shown in the presentation financial year 19, 20, 21, 22 somewhere 20% so it will get improved again in the coming time?
- Vamsi Krishna:** Can you repeat your question, please we didn't get your question.
- Ankur Agarwal:** The margins for financial 24 it has come 16% EBITDA margin, but historically 20% around move according to your presentation, so 16% is a normal or it can go to 20%?

- Vamsi Krishna:** No, we will go back to the 20 plus percentage as it was previously there. So, EBITDA margins will definitely improve going forward.
- Ankur Agarwal:** And the volume will be increase also in the next financial year?
- Vamsi Krishna:** Yes 100%. Definitely, I think if we are looking at an EBITDA of 20 plus this next coming financial year.
- Ankur Agarwal:** And last quarter INR250 crores sale has come this is also a new normal and it has been maintained at this level?
- Vamsi Krishna:** So, it is quarter-on-quarter it changes. So first quarter is typically a little slow quarter. Second quarter picks up, third quarter picks up more as an incremental quarter-to-quarter. Definitely that fluctuation will be there, but yes we are anticipating good revenues coming quarter.
- Ankur Agarwal:** Any dividend policy has been finalized that profit will be distributed?
- Vamsi Krishna:** So as I was mentioning in my conference call, I think we've announced a 0.4 dividend. This is the highest that we've ever announced actually. So, 40% dividend has already been announced.
- Ankur Agarwal:** And sir capex for this year you are doing INR150 crores or something like that, so how much turnover is more in the coming 2 years, 3 years, how will be asset turn ratio?
- Vamsi Krishna:** So our current asset turnover ratio is around 66%.
- Ankur Agarwal:** Means in INR150 crores capex INR100 crores asset turnover we will get?
- Lakshmi Narayana:** The incremental capex will be giving to the more revenue as compared to the existing because it's a value addition to the existing revenues.
- Ankur Agarwal:** The margin will also increase?
- Lakshmi Narayana:** Yes.
- Ankur Agarwal:** Thank you. That's all from my side.
- Moderator:** Thank you. The next question is from the line of Parag Someshwar from Equicorp India. Please go ahead.
- Parag Someshwar:** Yes, I have two questions. First in Q4 your gross margin and resultantly the EBITDA margin has come down substantially. So, what are the reasons for that?
- Vamsi Krishna:** So particularly in Q4 the raw material prices have increased a little and also the employee expenditure also has increased a little.
- Parag Someshwar:** No, I'm first talking about the gross margin before employee expenditure. The gross margin has dropped to 26% against 32% almost...
- Vamsi Krishna:** It is purely because of raw materials solvents sir.

- Parag Someshwar:** Okay. So how do you plan to tackle this and will you come back to 16% or 18% in Q1 itself?
- Vamsi Krishna:** Yes, we are anticipating that, but again the market is very volatile because of the elections and all. I think the market is a little volatile right now. So we will not be able to -- it will probably settle maybe in the next one months, two months. But I think first quarter also I think you will probably see that up and down in the market based on the solvent prices, but going forward we are anticipating to consolidate.
- Parag Someshwar:** Just to reconfirm, you said for current year that is FY25 you are aiming for 20% to 25% sales growth and PAT growth also similar? You aim to maintain this EBITDA margin of 16% that you registered for the full year or you will do morde than 16% or less than 16%?
- Vamsi Krishna:** EBITDA we are anticipating it to be about 20%. We are planning to increase the EBITDA margin.
- Parag Someshwar:** 20% EBITDA margin I am talking.
- Vamsi Krishna:** Correct, EBITDA margin.
- Parag Someshwar:** It will go up by 400 basis point in current year?
- Vamsi Krishna:** Correct, that is the target, yes.
- Parag Someshwar:** And sales will go up by 20%-25%?
- Vamsi Krishna:** 25%, yes.
- Parag Someshwar:** Then your profit should go up substantially, not 20%-25%, more than maybe 50%, even more than that.
- Vamsi Krishna:** Correct, we are giving conservative numbers, but yes.
- Parag Someshwar:** Okay, second is, what is your current utilization overall?
- Vamsi Krishna:** It is close to around 65%. Capacity utilization is around 65%.
- Parag Someshwar:** Okay, so once you fully utilize the current capacity and after this capex is implemented, INR150 crores capex, maybe after 3 years, what is the revenue sales that you can generate from the current capacity and the new capacity? And what could be the EBITDA margin at that point of time? So today you are at INR700 crores. Can you double in 3 or 4 years?
- Vamsi Krishna:** Yes, 3, 4 years, that is the target to reach around INR1200-INR1300 crores. That is the target in the next 3-4 years. So yes, definitely, yes, accordingly, I think EBITDA margins will be around 20%.
- Parag Someshwar:** So INR1200-INR1400 crores sales and 20% EBITDA margin. So this is what 3-4 years is your EBITDA margin?

- Vamsi Krishna:** Definitely, that depends on, see EBITDA margin depends on the product mix. See, we are having some commodity products where margin...
- Parag Someshwar:** ARV will have a lower margin.
- Vamsi Krishna:** Yes, single digits. So again, it depends on some of our other products coming in, new products coming in, how they take off in the market. So there's a lot of variability, but yes, 4 years is a big number to predict, but yes, that's the target to be there for us.
- Parag Someshwar:** So maybe that in Q4 also that ARV would have played some part in reduction in...
- Vamsi Krishna:** Definitely, yes.
- Parag Someshwar:** So the product mix would have affected the margin in Q4?
- Vamsi Krishna:** ARVs is again, as I repeated in my previous this thing, so for ARVs, we have two types of this thing. One is sale mode and one is contract manufacturing mode. So when we do, when we export the, I mean, when we sell the product in contract manufacturing, it only adds to our bottom line.
- We do not get sales from that. So there you will probably see some differences quarter-over-quarter, but the quantities are remaining intact. That's the...
- Parag Someshwar:** Okay. So when maybe some tender sales come in, you will have a lower margin, when you do contract manufacturing, you will have a higher margin?
- Vamsi Krishna:** Yes.
- Parag Someshwar:** Okay. Then a couple of years back, you implemented a large Ibuprofen project. Any other major thing on the drawing board?
- Vamsi Krishna:** As of now, we want to consolidate Ibuprofen as of now. Maybe six months down the line, once we consolidate Ibuprofen, we are looking at a few other projects that we will let you know shortly.
- Parag Someshwar:** Okay. So 3, 4 years, INR1,300 crores sales, 20% margin, so almost INR260 crores of EBITDA, we can assume?
- Vamsi Krishna:** Yes. Okay.
- Parag Someshwar:** Thanks a lot. That's all from my side. Thank you.
- Moderator:** Thank you. The next follow-up question is from the line of Ankur Agarwal from R C Wealth Solutions Pvt. Ltd. Please go ahead.
- Ankur Agarwal:** Sir, in the case of Ibuprofen, there has been a lot of expression that the rates in the market have gone down. Has it stabilized now or is it still going down?

- Vamsi Krishna:** No, no. It has stabilized now, actually. I mean, it has normalized in the downside, but we are able to compete. We are able to get good market share, even at those prices.
- Ankur Agarwal:** Okay. But it hasn't started trending yet.
- Vamsi Krishna:** Sorry?
- Ankur Agarwal:** It has stabilized there, it has gone down.
- Vamsi Krishna:** Yes. It has stabilized now. The prices are quite stable right now.
- Ankur Agarwal:** And is the price profitable?
- Vamsi Krishna:** Definitely. We sell products that are profitable. Definitely, it is profitable even at this price.
- Ankur Agarwal:** Thank you.
- Moderator:** The next follow-up question is from the line of Aditya Sen from Robo Capital. Please go ahead.
- Aditya Sen:** Hi, thanks again. Sir, what is the utilization of the Ibuprofen capacity as of now?
- Vamsi Krishna:** It is close to around... Entire year will be less because when you calculate the year, in the year beginning, we hardly used it. So it will be a little on the lower side, but quarter-on-quarter, we have improved it. If you calculate average, so then there will be around 25%, not more than that. Entire year, because almost first half of the year, we have hardly commercialized the product.
- Aditya Sen:** And for Q4, if we can say?
- Vamsi Krishna:** Q4 will be around 40%
- Aditya Sen:** All right. And in FY '25, where will it go? Around 60%? Do you have to say that?
- Vamsi Krishna:** Yes. We will definitely hit 65%-70% as a target. But yes, I think conservatively, we can take 65% as a target.
- Aditya Sen:** All right. Thank you.
- Moderator:** Thank you. The next question is from the line of Raj Mehta from Wisdom Advisors. Please go ahead.
- Raj Mehta:** Hi, sir. Thanks for the opportunity. So I have a couple of questions. So how do you see the competitive landscape evolving in your key product segment? And what steps are you taking to maintain your market position?
- Vamsi Krishna:** Yes, I think some of the key products, say for example, Ibuprofen would like to be one of the last entrants into this market on...
- Moderator:** The participant got disconnected. The next question is from the line of Ankur Agarwal from R C Wealth Solutions. Please go ahead.

- Ankur Agarwal:** So our associated VKT Pharma, how much investment do we have in this?
- Vamsi Krishna:** So it is 36.5%.
- Ankur Agarwal:** Amount-wise?
- Vamsi Krishna:** Amount-wise, INR45 crores. Around 45 crores.
- Ankur Agarwal:** Okay. So what is its peak turnover? How many volumes does it have?
- Vamsi Krishna:** Sorry, I didn't get the question.
- Ankur Agarwal:** What is the top line of VKT Pharma?
- Vamsi Krishna:** So right now it is around INR96 crores, top line.
- Ankur Agarwal:** Top line. Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Ravi Shah from Opal Securities. Please go ahead.
- Ravi Shah:** Yes. So I have a few questions. The first would be, can you provide a little more detail on the factors that contributed to the significant revenue growth that we witnessed in FY '24? That's my first question.
- Vamsi Krishna:** Sure. So definitely, I think one major product as I was highlighting in my on-call speech is ibuprofen. I think we have increased quarter-on-quarter, month-on-month, the sales of ibuprofen have drastically increased. So that's definitely one major contributor where we've invested significant capex last year. So that's coming into play this year. So that's one point.
- And again, some of the tenders for the ARVs are back to the pre-COVID level. So that's one more important point that is there. And obviously, our anti-diabetic segment is doing quite well in some of the markets. That's stabilized and that's been doing quite well. So that is also one of the major reasons. And our regular products definitely are doing quite well and niche products doing quite well.
- And in terms of volumes, we've almost increased almost all products. We've actually sold more product in terms of quantity this year than the previous years. So all these are good growth drivers for existing portfolio.
- Ravi Shah:** Understood, sir. Thank you for the detailed answer. So my next question is given we had such a great performance for FY '24, what would be our revenue and profitability guidance for FY '25?
- Vamsi Krishna:** Again, for FY '25, we are targeting to achieve around 20% to 25% growth on the top line and definitely on the gross margins as well, anticipating more as well, 25%.
- Ravi Shah:** Understood, sir. So you're saying there can be a gross margin improvement from here?
- Vamsi Krishna:** 100%, yes.

Ravi Shah: Okay. And so last question would be, how are we managing the potential fluctuations in RM costs and given there are supply chain disruptions happening, etc.? So how are we managing that?

Vamsi Krishna: So with respect to raw materials, we are not importing majority of the products. So most of the products are bought locally or manufactured in-house. So for the product that we're importing, we have annual agreements with vendors.

So I mean, we are not seeing drastic fluctuations but some solvent prices, some raw material prices are coming out of India. Definitely, there is fluctuation because of the current market scenario. But I think when we are factoring in the cost, sales price, I think we are already factoring in some of these stuff and we are quoting accordingly. So that's sort of insulated.

Ravi Shah: Understood, sir. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Raj Mehta from Wisdom Advisors. Please go ahead.

Raj Mehta: Yes, sir. So thanks for the opportunity. So how do you see the competitive landscape evolving in your key product segments and what steps are you taking to maintain your market position?

Vamsi Krishna: Again, so these are some of, I've already explained in the previous question, I think some of the key products, I think are some old products where we've established good market positions because of our relationship because of our, I mean, we are a 35-year-old company, so people know for regulated market the quality is quite good and the quality of our products are quite good. So with that, we were able to attract a few customers and we were able to get good market share in some of our newly launched products as well. So that's typically the way we are trying to keep up with the competition.

Definitely, we launch at a very cost-competitive price in the current market because most of the products, we are vertically integrated and our dependency is less outside. So we have a good, and always, as I mentioned, 50% or 40% of our R&D work is on cost optimization, increasing the yields, batch sizes, and things like that. So we try and see if, with the current pricing, how we can improve the margins. So, that's what we're trying to do here.

Raj Mehta: And are there any specific markets or regions where you see significant growth opportunities in the near future?

Vamsi Krishna: Definitely, ROW is one market we are trying to target because that's, US, Europe, we've been present for many years, but ROW markets have been coming up quite well going forward. So there is a lot of opportunity there. So, we are trying to penetrate into more, lower ROW markets in African regions and Latin regions, where we lacked a little presence. So, that's our target focus area for this year.

Raj Mehta: And sir, one more last question. So, can you provide an update on your R&D efforts and any new products in the pipeline? So how do you prioritize your R&D investments?

- Vamsi Krishna:** So again, as I was saying, 40% of our major focus will be on cost reduction, cost optimization, vertical integration, you know, developing of backward integrated products for our existing products to make sure we achieve those. So, 40% of our R&D work is dedicated towards that. And the other 60% is on new products, and niche products. So, we have a combination of both niche products and commodity products. So, we sort of based on patient expiries, and customer inquiries, we prioritize the products.
- Raj Mehta:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Raj from HM Financial. Please go ahead.
- Raj:** So, I had two questions. So, the first is what therapeutic areas are you focusing on for the future product development?
- Vamsi Krishna:** Yes, mostly I think will be the existing therapeutic areas is what we are focusing on, to add more products, newer generation products in the existing therapeutic areas, because we could market share and good presence in some of these therapeutic categories. So, our main focus would be the existing ones. But we I mean, if there is some particular therapeutic area that comes up, that like being an API manufacturer, so we don't majorly focus on therapeutic areas.
- Raj:** And another question was, what are the key risks you foresee in the coming year for the business? And how are you preparing to mitigate them?
- Vamsi Krishna:** Definitely, I think the pricing will be a key issue going forward always, because market is becoming competitive day-by-day, each quarter, and the prices are coming down. So, in order to meet that itself, we are, looking at various steps to, retain our market position, like backward integration, cost optimization, we are spending significant portion of our R&D revenue on these aspects to, keep our market position intact in at least key products of ours. So, there's no, like in the last 2 years, 3 years, there's no product where we lost market share because of the price. We were able to keep this up because of our R&D efforts.
- Raj:** Thank you so much. And all the best for the future.
- Vamsi Krishna:** Thank you.
- Moderator:** Thank you very much, ladies and gentlemen. That was the last question for the day. I would now like to hand the conference over to Mr. Vamsi Krishna Potluri, for closing comments. Over to you, sir.
- Vamsi Krishna:** Thank you everyone for joining this call. We are thrilled with our record-breaking performance this year, which highlights our strategic focus and operational excellence. As we look ahead to FY'25, we are excited about the opportunities that lie ahead. Our commitment to product innovation and operational efficiency, and market expansion will continue to drive our growth. We, remain dedicated to delivering value to our shareholders. Please reach out to our IR consultants, SGA, or us directly should you have any further queries. Thank you again for your time today.



SMS Pharmaceuticals Limited
May 31, 2024

Moderator:

Thank you very much, On behalf of SMS Pharmaceuticals Limited. That concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.