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Date: 23rd August, 2022

To,
The Manager,
Corporate Filings Department,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
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 18th August, 2022.

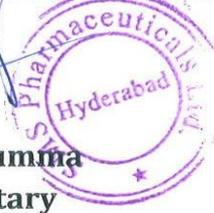
Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find the attached transcript of the Conference Call held on Thursday, 18th August, 2022 on the first Quarter ended 30th June, 2022.

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 Q1 FY23 Earnings Conference Call”

August 18, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 18th August 2022 will prevail.



**MANAGEMENT: MR. VAMSI KRISHNA POTLURI – EXECUTIVE
DIRECTOR, SMS PHARMACEUTICALS LIMITED
MR. T. LAKSHMI NARAYANA – CHIEF FINANCIAL
OFFICER, SMS PHARMACEUTICALS LIMITED**



*SMS Pharmaceuticals Limited
August 18, 2022*

Moderator: Good morning, ladies and gentlemen, and welcome to Q1 FY23 Earnings Conference Call of SMS Pharmaceuticals Limited.

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 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 Mr. Vamsi Krishna Potluri - Executive Director at SMS Pharmaceuticals Limited. Thank you. And over to you, sir.

Vamsi Krishna Potluri: Good morning everyone. Thank you for joining the earnings conference call to discuss the financial performance for the quarter ended June 30th 2022. 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.

The company's financial performance witnessed an improvement on a sequential basis with the turnaround at the EBITDA level. The performance for the quarter was impacted due to low offtake of antiretroviral products. However, the non-antiretroviral products continued to witness a healthy demand. The company is witnessing strong traction for the recently commercialized Ibuprofen product.

The company has also received the CEP approval for Ibuprofen recently. With this approval, the company can start selling Ibuprofen in the European markets. The company is also exploring multiple avenues such as new customer addition and geographical expansion to further booster the Ibuprofen sales. Apart from Ibuprofen, the company is also planning to recently expired patent of an anti-diabetic product.

The company remains confident of overcoming the short-term challenges. The company will continue to invest in R&D and new product launches along with new customer addition and geographical expansion to grow the revenue and profitability, going forward. As a strategy, the company will also launch some tactical products as per need and market demand which will further deepen the customer engagement and will provide the operating leverage for the company.

We can now begin the Q&A session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Atul Kothari from Progwel Securities. Please go ahead.

Atul Kothari: Sir, I just have a couple of questions. Sir, first of all, can you help us with the products which are under pipeline with Chemo Iberica JV?

Vamsi Krishna Potluri: Yes. Sure. So, the products that are already on the pipeline are almost developed. I mean, the first set of products, we have got a hold of eight products that are part of the JV. And apart from one or two products, I think all the products have been validated, and we are waiting for patent expiry for commercialization. So, I mean, it's got a mix of new products as well as some of the patent-pending products. So, as and when the patent expiry is done, we will be launching these products commercially.

So, that like, for example, Ranolazine is one major product. Patent has expired a couple of years back. We are very much commercial into that product, and we are selling tons lots of that product. Like Sitagliptin is one more product that just patent expired I think July 7th. This is the day that the patent has expired. Again, now we are selling good traction. I mean, we got a good traction on the volume.

So, same is the case with Vildagliptin, but there are some products where, you know, the patent is yet to expire, like some of the Flozins, like Empagliflozin, Dapagliflozin. So, once these patents expire, we will be commercially launching these products.

Atul Kothari: And sir, how much revenue that we are generating as of now with this JV?

Vamsi Krishna Potluri: The revenue contribution of the JV in the current financial year is about 11%.

Atul Kothari: 11%. And sir, lastly, how many ANDAs VKT has as of now? And how many can we expect by the end of FY23?

Vamsi Krishna Potluri: So, as of now, currently, we have six ANDAs and by FY23, we will be, I mean, we will not get an approvals, but we will be filing two more ANDAs. It will be in the filing stage if it's a review with the agency.

Moderator: Thank you. The next question is from the line of PD Gupta from Investors Forum. Please go ahead.

PD Gupta: Sir, actually, I want to know about this. Recently, there was a statement by GSK in US that FDA and EMA found no evidence of a casual association between ranitidine and cancer. So, whatever this case was going on in USA, can you give me some update on that so for our company's concern?

- Vamsi Krishna Potluri:** Yes. So, as of now we have tested our product against the NDMA content Sitagliptin that GSK has recently issued a statement, and our product is very good. There is no NDMA content issue with the product that we are currently launching in the market.
- PD Gupta:** Actually, our associate company VKT, I think, so, VKT was also in the line from this ANDA on this our ranitidine in USFDA. Is any update on that?
- Vamsi Krishna Potluri:** So, as of now, there is no update. I mean, as you rightly know that agency has put all the ANDAs on hold as of now, so still VKT is discussing with the agency on that. So, as of now there is no update. It's at a standstill right now. This I'm talking about the ANDAs for VKT for ranitidine that you asked.
- PD Gupta:** And whatever approval recently our VKT got ANDA from US, when we will be able to introduce those products in the market?
- Vamsi Krishna Potluri:** So, we have recently got approval in the month of March. So, we have already commercially launched last month actually. We started commercial launches happening from May and June. So, the first initial launch quantities of all the products that we have received approvals have been going out in month of May and June. So, now I think going forward, once the initial quantities are picked up, then we will probably be getting the follow-up orders.
- PD Gupta:** It means already we have started.
- Vamsi Krishna Potluri:** Yes. Just started commercial launches, yes. So, we tied up with partners in the front end, and we have just started commercial launches at VKT.
- PD Gupta:** Oh, that may be the reason that our revenue of VKT in June quarter is 9.86 crore. Losses is 7.02 crore. That maybe there is no initial expenses you might have booked.
- Vamsi Krishna Potluri:** That is right. That is right.
- PD Gupta:** Am I right?
- Vamsi Krishna Potluri:** That's right. That's right.
- PD Gupta:** Sir, one thing. This is regarding our introduction Ibuprofen and we got approval also, and the product is also in demand nationally and internationally more I mean to say. Then it will contribute to what extent in our current financial year '22-23?
- Vamsi Krishna Potluri:** So, my this thing will be more than 22-23, as we initially mentioned, right? So, at the launch, so the actual commercial, like a full-fledged commercial will be happening by end of this year, right? You know, for Q4 of this year, I think we will be able to commercially launch the product in a big way, because approvals take time. Because customers, we have got approval for the API,

but customer needs to file our APIs, do a source change in their current ANDA. So, that process will be pending with the agency for six months. It's called PAS, post-approval submission. So, once the agency does that post-approval submission, then the commercials will start. So, that is the time taking factor.

So, I think, right from day one, we were mentioning by end of this year, I think we start seeing the actual commercial sales. But right now commercially, we are already selling decent volumes in the domestic market, and now with the CEP approval, now a lot of our European customers are also qualifying us for Ibuprofen again. So, qualification after us will take time for them to get an approval, and post that approval, there will be commercial launches. But be rest assured. This is our flagship product that we are focusing very, very aggressively on, and it will definitely good revenues going forward.

PD Gupta: Can you give any projection for 23-24?

Lakshmi Narayana: 23-24 estimates would be roughly around, the contribution would be around, I think 40% on the top line. 40%. 35 to 40% on the top line from my calculation.

PD Gupta: 40% to 50% on the top line of our SMS Pharma.

Lakshmi Narayana: 35% to 40% on the top line.

PD Gupta: 35% to 40%.

Lakshmi Narayana: 35% to 40%.

PD Gupta: That is a good amount indirectly. Actually, I'm hoping as investor, a long-term investor, and we are hoping that due to this, which is a temporary period, this is how the company is working etc. But it will come up in the, if not in this quarter, in the coming quarters, I think so, it may come. Is not it?

Lakshmi Narayana: Absolutely.

Moderator: Thank you. The next question is from the line of Priyanka Shah from KP Advisors. Please go ahead.

Priyanka Shah: Sir, how much is our R&D expense as percentage of revenue for FY22 and how much are we planning for FY23?

Vamsi Krishna Potluri: For FY22, about 4%, ma'am. And FY23 is more or less maybe in growth of about 20% of the previous year's expenditure.

- Priyanka Shah:** And sir, how many new products have we launched in FY22 for non-ARV products? And how many are we expecting to launch in FY23?
- Vamsi Krishna Potluri:** So, launch in the sense, we validated the process. See launch in the sense, are you talking about commercial launch? Or are you talking about validations being completed? Because based on patents, we don't commercially launch all the products that we validate.
- Priyanka Shah:** Sir, commercial?
- Vamsi Krishna Potluri:** Commercial, three products actually.
- Priyanka Shah:** And what is the strategy to increase non-ARV product contribution?
- Vamsi Krishna Potluri:** So, now our strategy is we are now probably going to leverage our R&D expertise, because see our major focus on R&D till now was working on most cost-effective products, right? So, when we are going into the product, we rework on the product processes to make sure the product is we are targeting products like Ibuprofen, you know, some old products like Famotidine and, you know, sildenafil, Tadalafil. Some of these old products where our strength probably lies in reworking on the processes and trying to optimize the process, but now we want to focus on more of the new product segment line that we recently added a few more products. And based on that, that line I think we will be going in that direction, adding more products. I think, next year at least we are planning to add at least 8 to 10 products to our portfolio.
- Moderator:** Thank you. The next question is from the line of Ankush Mahajan from Axis Securities. Please go ahead.
- Ankush Mahajan:** Can you tell us, sir, what is the name of the top five products, and how much is the revenue they are contributing? And especially for the Ibuprofen, how much is the revenue it is contributing?
- Vamsi Krishna Potluri:** See you are talking about this quarter or?
- Ankush Mahajan:** Yearly, sir.
- Vamsi Krishna Potluri:** Yearly, anti-retrovirals typically contribute to our biggest this thing around 35% revenue.
- Ankush Mahajan:** Sir, in terms of the product if I say, like Ibuprofen?
- Vamsi Krishna Potluri:** Anti-retrovirals we have only one product actually, Tenofavir. So, that contributes to 35% of our revenue.
- Ankush Mahajan:** So, what is the name of that? Cano? What is the name of the product in anti-retrovirals?
- Vamsi Krishna Potluri:** Tenofavir. Tenofovir disoproxil fumarate.

- Ankush Mahajan:** And sir, what about this Ibuprofen?
- Vamsi Krishna Potluri:** So, Ibuprofen as we were just discussing, we have just launched this product. Right now the contribution is less than 10%, but definitely I think going forward, we are targeting for a growth of 30%, 35%.
- Ankush Mahajan:** And what is the another product that is contributing to the revenue?
- Vamsi Krishna Potluri:** Anti-migraine segment is a big contributor for our revenue right now. So, it contributes roughly a 30%. So, in anti-migraine, Sumatriptan, Rizatriptan and Eletriptan. These three are critical products for us.
- Ankush Mahajan:** Sir, can you repeat the name of these products?
- Vamsi Krishna Potluri:** Sumatriptan, Rizatriptan and Eletriptan.
- Ankush Mahajan:** And sir, in JV, what are the name of the products that we are launching?
- Vamsi Krishna Potluri:** So, it is Ranolazine, Sitagliptin, all the gliptin family, like Sitagliptin, Vildagliptin, Linagliptin, and all the Flozins, Cana, Empa, Dapagliflozin, and couple of other products like perampanel and mirabegron
- Ankush Mahajan:** So, Sitagliptin and all these products we already have developed? Can we say these all are?
- Vamsi Krishna Potluri:** Yes, all these are developed and validated. And Sitagliptin, we have already commercially launched it since last one month. We have already commercially launched that product. Ranolazine is already commercially launched since one year. Vildagliptin is also commercially launched just last month. And perampanel in domestic market also has been commercially launched.
- Ankush Mahajan:** And sir, if we see, what could I say, the price of Ibuprofen is falling, most of the APIs like classic example of Ibuprofen, earlier the price was \$18 per kilo. Now it's \$12 per kilo so you're your sense on it, sir?
- Vamsi Krishna Potluri:** So, to be honest with you, it's actually less than \$10 per kilo at this point of time. But again, we are geared up and we are ready to handle. So, that's the biggest strength of your company is that we are ready to handle price pressure on some of these commodity products, and when we develop the product, we were very sure that the product is going to be below \$10 range. So, we have developed the product and process and our engineering has been done in such a way that we will be competing in the market. So, as of now there is, I mean, obviously, there is price pressure, obviously, higher price. All of us are happy. But still we are with the current price also we will be able to compete in the market.

- Ankush Mahajan:** So, sir, if I say, I am looking at the products in JV, they have niche products. So, what kind of revenue contribution that we could look from the current revenue, sir?
- Vamsi Krishna Potluri:** Again, as our CFO was mentioning, right, so around 15% on the top line. But actually, coming here, maybe even more actually. Maybe 20% to 25% could be there.
- Ankush Mahajan:** From JV.
- Vamsi Krishna Potluri:** Yes, from JV, because of launch of Sitagliptin.
- Ankush Mahajan:** So, in JV, we have a 45% or 50% of our stake? 45?
- Vamsi Krishna Potluri:** Yes, 45%.
- Ankush Mahajan:** So, that 45% revenue could increase 25%. And you said outlook on this gross margins or gross margins, industry is not showing improvement in gross margins. So, your outlook on it?
- Vamsi Krishna Potluri:** So, see, the thing is the typical industry is actually going through that phase where, you know, if the movement of products post COVID is not too high, right, so the industry is sitting on stocks. So, if you see the stock inventory level of almost all the major companies, you see the inventory level, even including our company, has grown decently. The reason is because the movement of a product in the market is less. So, in order to compensate the movement, I think, you know, people are going down on the price, and they are sacrificing the margins in order to move the product that is sitting in the inventory. So, this is a temporary thing is what we expect. Definitely, I think the industry will bounce back in the next couple of quarters going forward.
- Ankush Mahajan:** But sir, if we see all these formulation companies, like Dr. Reddy's, Cipla, so they are getting the prices maybe in the range of 10% to 15%. And industry where we are supplying our product, it's facing price erosion. So, it is impacting our API industry also. So, this trend, sir, outlook on this trend, sir?
- Vamsi Krishna Potluri:** So, see, definitely, they are easy. Every year, definitely, there will be a price erosion for us for all the old products where they are definitely, I don't think it will be around 10%, 15%. But typically, our this thing will be 5% to 8% of price erosion will happen for all our old products. So, I mean, that's a general trend in the industry for it's been happening since some time. So, definitely, I think, the price pressure automatically is there in the industry.
- Ankush Mahajan:** So, that is impacting the realizations of the API industry.
- Vamsi Krishna Potluri:** It depends on the product mix, right? So, there are some new products. See, the product launches, new patent products are there. Obviously, you get a better price in this, you know, some of the old products, obviously, that discounting or depreciation automatically happens for some old

products where more players come into the picture. And once the patent is expired, you know, more players, more competition, you know, supply demand sort of an issue comes up.

Moderator: Thank you. The next question is from the line of Ritesh Oswal from Opal Industries. Please go ahead.

Ritesh Oswal: My question is on the inventory side. Why are we building a large inventory? Why we are keeping large inventory, 275 crore approximately?

Vamsi Krishna Potluri: So, see, just to answer your question, see, I think, one of the major increase of inventory from last quarter to this quarter is because of the launch of Sitagliptin.

Ritesh Oswal: For last Q4 FY22 as well as Q1 FY23. Last year's closing inventory is 250 odd crore. Correct?

Vamsi Krishna Potluri: So, I will tell you the reason for that. So, the reason for that is one of our major products was going off patent. So, we had to bring in raw material, and we had to put it at different, different phases. One, because for a quick launch post the patent expiry for us to manufacture the API and send the API out. So, that's the reason, the last quarter, the inventory has significantly increased, also along with some of the commodity products that's like Ibuprofen and triptans where we had some orders that we had to put in the inventory.

And also, as you know, the company has also invested on some of the COVID related drugs like Molnupiravir and HCQ. So, at that point of time, the significant inventory was built up anticipating a very big launch of this product where, you know, the company has received license from Merck and Pfizer for manufacturing of both Molnupiravir and PAXLOVID. So, that was the reason for the inventory level increase.

Ritesh Oswal: Can we use the Molnu raw material to other ARV if Molnu not take off?

Vamsi Krishna Potluri: Right now no. Right now no. We are not doing that at this point of time. But definitely, I think if there is an opportunity where the same raw material is used in any of our other products, not only ARV, any other products, I think we will definitely liquidate our inventory as soon as possible.

Ritesh Oswal: One more question. Can you give the breakup of raw materials? How much finished goods inventory Q1 FY22, FY23? Out of 275 crore, how much amount of finished goods?

Lakshmi Narayana: Yes. WIP and FG is 150 crores.

Vamsi Krishna Potluri: So, WIP and finished goods put together is 150 crores.

Ritesh Oswal: And 125 crore other key raw materials, correct?

- Vamsi Krishna Potluri:** Yes. Other key essentials.
- Ritesh Oswal:** So, 125 crore was sufficient for next two months. So, we are not purchasing major raw material in this current quarter.
- Vamsi Krishna Potluri:** Correct. That's right.
- Ritesh Oswal:** So, two, three numbers will be great. I think good.
- Vamsi Krishna Potluri:** Good. Yes, that's the hope. Yes.
- Moderator:** Thank you. The next question is from the line of Meenal from CJ Shah & Company. Please go ahead.
- Meenal:** Sir, as you mentioned that Ibuprofen price has already gone to \$10. So, what is the future expectations on the pricing?
- Vamsi Krishna Potluri:** So, see, the prices what we feel have already bottomed out at this point of time because, you know, this is actually, to be honest with you, it's nothing new. As you know, there was a significant shortage of Ibuprofen back in 2017-18 time. So, the prices have actually gone back to where they were pre-2017-18 time. So, it's not that, you know, they have bottomed out as a new this thing. So, we were prepared for these prices to come back to this level at the time of developing their product in the process itself. So, we were anticipating this sort of a price range on this, and they seem to have bottomed out actually. So, probably, it will not go down any further.
- Meenal:** Also, sir, your ARV API is used in which ARV medication exactly? And what is the demand seen in the near future?
- Vamsi Krishna Potluri:** So, the ARV is our contract manufacturing that we do with the few big companies. And this is used as a triple combination and a single combination and a dual combination. So, it's used in multiple finish dosage forms. I mean, that obviously our customer, as per our customer's requirement. This is mostly used for HIV drugs. And definitely, I think, most of these products are sold through tenders across different markets. So, based on the tender timing and based on the tender, the funds allocated for these tenders, and the bidder of the tender, I mean, the customer who bids the tender, based on that I think we will be getting orders accordingly.
- Moderator:** Thank you. The next question is from the line of Nishita Shah from Raga Securities. Please go ahead.

- Nishita Shah:** Sir, just I had a couple of questions. Firstly, sir I wanted to understand that our depreciation has remained almost the same on the year-on-year basis despite a big CAPEX in FY23. So, can you explain a bit about that, I mean, the reason for that?
- Vamsi Krishna Potluri:** No. Madam, the depreciation is you mean to say they remain same for the last quarter, correct?
- Nishita Shah:** No, sir. On year-on-year basis?
- Vamsi Krishna Potluri:** Year-on-year basis, the depreciation as per the Companies Act we are providing the depreciation, and also that we already commercialized, we already capitalized in FY22 financial year. FY23 is a very nominal capitalization.
- Nishita Shah:** Sir, my next question is, can we expect to turn EBITDA positive by end of Q2 FY23 and PAT positive by end of FY23?
- Vamsi Krishna Potluri:** Yes. Definitely, I think, so that's the target that we have set for the company. And definitely, I am very positive that, you know, we will turn around this corner, and that's the positive hope that we are currently carrying.
- Moderator:** Thank you. The next question is from the line of Viraj Parekh from JMP Capital. Please go ahead.
- Viraj Parekh:** So, just as a follow-up on the ARV market and your ARV product Tenofovir which you explained, sir, just wanted to check with you, how has the pricing scenario been pertaining to this API in the current quarter, the Q1 gone by versus the previous quarter Q4 of FY22, if you could elaborate, sir?
- Vamsi Krishna Potluri:** See, to be honest with you, it's not gone down. It's not, you know, depreciated too much actually. It's either, I mean, probably 5% here and there. But I think not more than that actually. The pricing is not depreciated too much. And more importantly, our modus of operandi on that particular product is we are a CMO, contract manufacturer. So, we typically get contract manufacturing charges. So, price of the raw material is immaterial because our customers actually provide the raw material for us in these cases.
- Viraj Parekh:** So, sir, on the demand side, coming to the demand side, what has been your sense on the demand pertaining to this particular ARV API, which is Tenofovir, if you could elaborate here? Again, you know, maybe the last six months' view, because I assume there was some inventory restocking that had started in Quarter 3 of FY22. So, you know, how could we make some sense of that across last six to eight months?
- Vamsi Krishna Potluri:** So, last six to eight months, as we mentioned in the last conference call, so I think there was a delay in the tenders that were opened by the different governments, because I think most of the

focus for the tenders were on the COVID-related injections and vaccines and, you know, COVID-related medication. And there was a significant delay on the tenders because of the funds that were being awarded to the companies. So, recently, couple of tenders have opened up. And slowly, I think, it's coming back. But it's, you know, at this point of time, it is very difficult for us because until we know who won the tender, right, so it's very difficult to predict the nature of this business.

So, hence, that's the reason the company is also trying to, you know, with adding more products like Ibuprofen and adding more internal products. We want to sort of decentralize our revenue, and we want to go in a different direction with respect to because see, ARVs contribute. That particular product's contribution is around 42% in the last Q1 FY22 actually. Q1 FY22, that was around 42% was the contribution of that particular product. So, we want to, you know, more deep focus and deep focus in the sense add more products and reduce the impact of that particular product of in our portfolio.

Viraj Parekh: And sir, what would be the contribution in Q1 FY23, the current quarter, for Tenofavir?

Lakshmi Narayana: Q1 is hardly 2%. Hardly 2% actually. So, that is the major reason for our this thing. It is hardly 2%.

Moderator: Thank you. The next question is from the line of Rupesh Tatia from Intelsense Capital. Please go ahead. Mr. Rupesh, I have unmuted your line. Please proceed with your question. As there is no response from the current participant, we move on to the next question, which is from the line of Amit Shah from PC Capital. Please go ahead.

Amit Shah: So, sir, I had one question. Sir, what is the impact of CDC approval on Ibuprofen growth going forward?

Vamsi Krishna Potluri: So, definitely, it's a very, very good opportunity that now our CEP is approved, and with CEP approval, we can comfortably sell the product in Europe markets. A lot of customers across the world also request for a CEP approval before, you know, they start qualifying us. So, since we have received the CEP approval, now we are aggressively marketing this product in Europe and other RoW countries to make sure that, you know, we have a good off take on this. So, the approval just came in, I think, few weeks back, actually in July, last week of July. So, we have started reaching out to different, different customers who were very interested in qualifying us. And definitely, the process will take its due course, but we are heavily focusing on this particular product to make sure that, you know, we get a good market share from this.

Moderator: Thank you. There is a follow-up question from the line of Ritesh Oswal from Opal Industries. Please go ahead.

Ritesh Oswal: What is our Sitagliptin capacity? And is it a dedicated block?

- Vamsi Krishna Potluri:** For which one, could you repeat it?
- Ritesh Oswal:** Sitagliptin capacity?
- Vamsi Krishna Potluri:** So, Sitagliptin capacity, we have a good capacity. I think, per month, we have around 10 to 15 metric tons can be manufactured at this current phase, and our team is continuously working on the process and to look at the optimization. And it's not a dedicated block as such because it's in the same block where we do multiple other products, but based on opportunity, definitely, a lot of priority is being given to Sitagliptin with the current launch that is happening.
- Moderator:** Thank you. The next question is from the line of Rupesh Tatia from Intelsense Capital. Please go ahead.
- Rupesh Tatia:** So, sir, what was the Ibuprofen capacity utilization in Q1? I joined call late. So, some of the questions maybe repetitive.
- Lakshmi Narayana:** 22%.
- Vamsi Krishna Potluri:** So, I think right now around Q1, it was around 22% utilization approximately.
- Rupesh Tatia:** And we were expecting to exit Q4 at 70% to 80% run rate. We still hold that guidance. I think we were expecting that in Q4, we will have capacity utilization of 70% to 80% by Q4 of this year. So, we still hold that guidance.
- Vamsi Krishna Potluri:** Yes. We are still on track for that.
- Rupesh Tatia:** And in case of Sitagliptin, sir, the launch I think is near. So, we have supplied some quantity to our partner.
- Vamsi Krishna Potluri:** Yes, already. Already, launch has already happened. So, in India, patent has expired. In Europe, I think there is still patent. So, I am not sure. The finished product is out in the market, but in India, the patent has expired. So, we have started the supplies of Sitagliptin to our partner.
- Rupesh Tatia:** How large would be India market, sir, for Sitagliptin?
- Vamsi Krishna Potluri:** So, India market is also very big. So, we are working on different process on the Indian market on Sitagliptin on a different route of synthesis to be able to, you know, cost competitive in the market. It's a significant market in India. It's my assumption. I mean, it's early days because it's early launch, right? So, my assumption is it's close to around 150 tons, if not more, in the domestic market alone.
- Rupesh Tatia:** And do we have now some sort of clarity on kind of price erosion we will see in this molecule?

- Vamsi Krishna Potluri:** Yes. The advantage for us that we currently have is I think we are one of the first companies to, you know, commercialize this product on a big volume scale. So, that sense we do have. And definitely, I think based on our new process in new this thing, we are very confident of, you know, trying to get a good market share in the domestic market as well.
- Rupesh Tatia:** So, I think in last call, I mean< we were not sure about price erosion, but you said maybe roughly, you know, 100 crore kind of potential for us was possible. So, has that number gone up now to let's say 125?
- Vamsi Krishna Potluri:** 100 crores in terms of sales is it what you are talking about?
- Rupesh Tatia:** Yes. I think you had said that the market size is 500 crore, and we will at least try to look at, you know, 20% market share.
- Vamsi Krishna Potluri:** Yes. So, that number is definitely there. So, that number will remain intact, and I think, it could even grow a little higher. So, that's there.
- Rupesh Tatia:** And we will see 70, 80 crore kind of number in financial year 23.
- Vamsi Krishna Potluri:** Yes, absolutely. I think that's the hope, so, Yes.
- Rupesh Tatia:** And I also kind of missed what happened in ARV because the sales is very low, but then in FY23, what kind of sales we expect on an annual basis in Tenofavir and other ARV products?
- Vamsi Krishna Potluri:** So, again, that depends on, see, unfortunately, we are the CMO partner, right? So, until we get the tenders out and, you know, we know who won the tender, and based on that also, based on how much they are getting it contract manufactured with us, it's very difficult to predict that at this point of time. But we are trying our level best to push our partners to, you know, see what best we can do and give us some forecasting and projections for the coming year. So, we will probably have some clarity maybe by maybe next quarter actually.
- Rupesh Tatia:** So, at ARV industry level, are Chinese players coming back into the tender? And is that kind of what is happening?
- Vamsi Krishna Potluri:** No, I think it is mostly dominated, this market is mostly dominated by Indians, Indian players and mostly Hyderabad companies and obviously some Mumbai-based companies as well.
- Rupesh Tatia:** So, Chinese players are not making a comeback.
- Vamsi Krishna Potluri:** Yes. Not too much. I think there is just one major Chinese player that's there, but I think that the major domination happens from India.

- Rupesh Tatia:** And I think Q4 call, you were also thinking about, I mean, you have some new products that you are looking to launch. So, are you ready to, you know, talk about them in this quarter or we have to wait a little more?
- Vamsi Krishna Potluri:** That is about Sitagliptin. That is the new product that we launched.
- Rupesh Tatia:** Other than Sitagliptin also, Sitagliptin, I think was clear last quarter also, but you were saying because to diversify further, you were maybe looking at two, three more products, and you said that you will talk about it.
- Vamsi Krishna Potluri:** Right. So, those products are in our R&D. So, we are working on cost effective processes for those products. So, once they are done, I think they automatically come into our product list and, you know, we push the sales from there.
- Rupesh Tatia:** We will hear about them in, let's say, H2?
- Vamsi Krishna Potluri:** Yes. I mean, nothing, no major significant product, but they are regular products. I mean, they are not something out of the blue, but some products where we really thought maybe we could really add value because of the number of players in the market or because of the cost maybe if we think that these are some molecules which we could get into it based on our strengths on manufacturing. So, definitely, I think, those will be reflecting in our product list, and we will take those out.
- Moderator:** Thank you. The next question is from the line of Anup Shah from Srinath Securities. Please go ahead. As the current participant couldn't answer and there are no further participants, I now hand the conference over to Mr. Vamsi Krishna Potluri for closing comments.
- Vamsi Krishna Potluri:** Thank you everyone for joining this call. Please reach out to our IR consultant Strategic Growth Advisors or us directly should you have any further queries. And we can close the call. Thank you so much.
- Moderator:** Thank you. On behalf of SMS Pharmaceuticals Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.