

Ref. No.: LASA/SE/18-19/025

Friday June 01, 2018

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,

Ref.: Transcript of Conference Call – Reg. 30

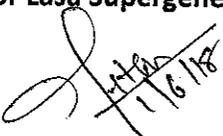
Dear Sir / Madam,

In furtherance of our letter dated May 25, 2018, Ref.: No.: LASA/SE/18-19/021 we are enclosing Transcript of Company's Q4 & FY18 Earning Conference Call held on May 29, 2018.

This is for your record and reference.

Thanking You  
Yours Sincerely,

For Lasa Supergenerics Limited

  
HITESH WADHWANI  
COMPANY SECRETARY



“Lasa Supergenerics Limited Q4 FY18 Results Conference  
Call”

**May 29, 2018**



**MANAGEMENT: DR. OMKAR HERLEKAR - CHAIRMAN AND MANAGING  
DIRECTOR, LASA SUPERGENERICS LIMITED  
MR. RAMESH SINGH - CHIEF ACCOUNTANT, LASA  
SUPERGENERICS LIMITED  
MR. HITESH WADHWANI - COMPANY SECRETARY,  
LASA SUPERGENERICS LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Lasa Supergenerics Limited Q4 FY18 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 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, 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 Herlekar – Chairman & Managing Director of Lasa Supergenerics. Thank you and over to you, sir.

**Omkar Herlekar:** Hi, everyone. I would like to extend a warm welcome to everyone for our Q4 and FY18 earning conference call for the fourth quarter and the full year ended March 31<sup>st</sup> 2018. I have with me our Investor Relations partner, Bridge Investor Relations; our Compliance Officer, Mr. Hitesh and our Finance & Accounts Head – Mr. Singh. We have shared our result update presentation which is now uploaded on the exchanges and I hope you must all have gone through the same.

Before we discuss the financial performance, I would like to give you a brief overview of our company. Lasa Supergenerics Limited is a demerged entity of Omkar Specialty Chemicals and Lasa was acquired by OSCL in year 2011 with a turnover of 1 crore. The company was in the business of manufacturing veterinary APIs with the state-of-the-art manufacturing facilities that had an FDA and other necessary approvals. We saw a lot of value in it and could foresee an immensely scalable business proposition in it. In June 2017, Lasa got demerged from Omkar Specialty Chemicals and got listed in September 2017.

Our company offers variety of anthelmintics with an extensive product portfolio. We initially started with just couple of products when we acquired Lasa and today, we are manufacturing almost 15 different anthelmintic products in the veterinary API segment. The company manufactures Benzimidazole class of APIs, a very old and essential part of the veterinary pharma market and one of the most difficult to manufacture products. The company also manufactures other products like Amides, Imidazothiazoles, Ciprocin etc. This together forms almost around 70% of the anthelmintic market. Some of the products that our company manufactures are Albendazole, Fenbendazole, Halquinol, Oxfendazole etc. We have a strong knowledge and expertise in the field of the catalyst and we have used this knowledge and experience to develop different classes of catalysts to create a great economic model for our operations. With the use of the catalysts, the rate of chemical reaction can increase and that would improve the yield. This helps us to cut down the cost, less the time, less the raw material usage, less the effluents and increase the output of our finished product. Our basic raw materials are Benzene derivatives which are derived from crude petroleum.

Since dependence on the suppliers for the raw materials was putting a lot of pressure, so the company became fully backward integrated to a large extent for most of its products. Today,

we have four state-of-the-art manufacturing facilities located in Chiplun and Mahad in the Konkan region of Maharashtra. These are all vertically integrated manufacturing units and the company has a strong pipeline of processed patents filed for the same. Developing catalyst based process will continue to be one of the prime focus in the areas to create entry barriers and maintain competitive edges.

I would like to share with you all via this platform that our company has received a WHO GMP certification for the Mahad unit. On April 11, 2018, our Mahad unit located in Mahad MIDC received a WHO GMP certification. This was post inspection done by the regulatory officials, commissioner of Food and Drug Administration on 6<sup>th</sup> July 2017 and 7<sup>th</sup> July 2017. This WHO GMP certification will remain valid for next 2 years that is until 10<sup>th</sup> April 2020. It becomes invalid if the activities and/or categories certified year with are changed or if the site is no longer considered to be in the GMP compliance. For any chemical company, the biggest risk is a dynamics of the regulatory norms. These norms keep on changing. Lasa is aware of the fact and we are committed towards adopting environment friendly and sustainable process technologies so that we can control the discharges from all our units. We are aware of our responsibility in building a sustainable ecosystem. We are trying to match steps with our rapidly growing economy with one of the goals in the mind that this is to become a leading player in veterinary API market in India and globally. We have established ourselves as a tested supplier of veterinary APIs not only by making our processes fully backward integrated, but by also entering into forward integration. Going ahead, we plan to add more products to our portfolio at this time and at the same time, we continue to remain focused on making backward integration also that is another part of our core manufacturing process.

Having said this, I would now like to move on to our quarterly and full yearly financial performances. The financial performance for the full year ended has been in line with our expectations in terms of revenue and profitability.

The net revenue for Q4 FY18 stands to be 59.31 crores. EBITDA for Q4 stood at (0.57) crores. PAT for Q4 FY18 stood at (6.47) crores.

Coming to the full yearly, year ended FY18 numbers, FY18 net revenues stood at 243.53 crores as compared to 198.75 crores in FY17. We registered a growth of 23%. EBITDA for FY18 stood at 41.26 crores. Net profit for FY18 stood at 12.34 crores with a growth of 422%. EPS for FY18 stood at 5.4 crores as compared to 1.15 crores in FY17 with a growth of 370%.

We expect the growth for the next first half of the next year to be a little muted and expect to pick up from the second half onwards.

I would like to state here that Lasa has excellent team of professionals who have been working tirelessly to bring this company to where it is today. I thank each member of my team for their contribution. Thank you very much and we can now take the questions.

- Moderator:** Sure, thank you very much. We will now begin the question and answer session. We take the first question from the line of Arpit Maheshwari from SSB Advisory Private Limited. Please go ahead.
- Arpit Maheshwari:** Actually I am saying that why this loss happened in the bottom-line? This is because your cost of consumables has gone up from 3,000 lakhs to 5,000 lakhs.
- Omkar Herlekar:** Yes, sir. You will see over year the loss which has happened is in the gross profit. The gross profit which was reported in this quarter was 5% whereby our usual gross profit is in the range of 26% to 30% is our range which is generally seen in our kind of products with backward integration. However, the loss in the gross profit which happened resulted in the loss in the EBITDA too. The loss in the gross profit was only because of the spike up in the petroleum prices which you have seen as well as the volatility of the dollars also. So it was very uncertain for the foreign suppliers also to quote a very concrete price. That is the reason why there was a loss in the gross profit.
- Moderator:** Thank you. The next question is from the line of Vinay Pai who is an individual investor. Please go ahead.
- Vinay Pai:** My first question is the three quarters of the results that is Q1, Q2, Q3 of the past financial year, they were not audited numbers whereas only the Q4 was audited. My question is since you have reported loss in the fourth quarter, how credible are the first three quarter numbers because they are not audited right?
- Omkar Herlekar:** Yes, they are not audited. It is not audited, it is a limited review for the first 3 quarters. There is a limited review. So the credibility question I cannot answer, it is up to you to understand and we are very open and transparent even anybody wants to come and see our books, you are very much open to do that.
- Vinay Pai:** As an outside analyst, the analyst would prefer that the promoter would increase his shareholding in the quarters going ahead. So when the share price was so less, why then does not the promoter buys on the market if he is so confident of the company?
- Omkar Herlekar:** Buying from the market at this juncture company is in need of severe cash and company is growing, company requires CAPEX, company requires money for its operations and promoter has funded almost 15 crores to company in the last half year that is in Q3 and Q4. 15 crores is given by the promoter to the company which is being utilized for routine operations as well as for CAPEX. So buying from the market at this juncture, we feel that in the growth mode company requires money and that is what we have taken a very reasonable and very important step which has currently made the operations of the company very sustainable.
- Omkar Herlekar:** Also, There is a large transaction of 11 lakh shares between my father and me which is about to happen. The corporate actions will be filed very soon. Once the corporate actions will be filed, total 36% of shareholding will belong to me. So 36% of shareholding, I will be sitting

upon within the upcoming days. Post that, whatever acquisition is to be done from the market or else I do not know how does the cash flow permit us, so depending on that, we will keep you updated.

**Moderator:** Thank you. The next question is from Rushit Parekh from Capital Markets. Please go ahead.

**Rushit Parekh:** I am actually quite surprised when the management says that the annual performance is on an expected line because forget the PAT level. If we see the PBT level, there is a fall of 46% and even at the operating profit level, there is a fall of 9%. Now I just wanted to understand first question is when we say that we are nearly or fully backward integrated, what do you mean by so backward integrated and to what extent is volatility in crude can affect our performance at the gross profit level?

**Omkar Herlekar:** We are fully backward integrated to the level of the basic petroleum derivatives which we import or else we buy it from the domestic market. Being backward integrated does not mean that the company is a full proof in posting just profits. In many times happened that the crude rates are sky rocketed to such an extent that even being fully backward integrated also does not make sense. The same thing has happened over year in the last quarter where petroleum prices have shot up. You can take examples of any other companies who are dealing with petroleum products and many of the business models, I am not saying all maybe, but many of the business models. There are at least thousands of chemicals which are derived from crude. So not necessarily one company depending on crude may post profit and other may post loss, this may happen. So the same case has happened with us. We basically deal with the class of petroleum products called as Nitrobenzenes, Nitroanilines which have gone up drastically. That is the reason why we are very transparent. You can come down to our office or as any analyst can visit us, see our purchases and then gets convinced rather than me speaking anything. And really the rise in the crude prices has impacted our margins. This may not be every time this thing happening, but for at least in the last quarter it has happened, and it is quite possible that maybe in the upcoming future also, drastic or a crazy increase in the crude prices may impact our margins.

**Rushit Parekh:** Sir if you can quantify, that would actually help?

**Omkar Herlekar:** You want product wise?

**Rushit Parekh:** Can you quantify on an average what will it be?

**Omkar Herlekar:** Very wonderful, I am coming to the point. Our top 3 products, you can note it down if you want are Albendazole, Fenbendazole and Halquinol. These are our top 3 products. The key raw material for Fenbendazole is Hydrazine Hydrate, 2,4-DCNB and Thiophenol. These are the three raw materials. All the raw materials have gone up 300% up. In cases, also 400% up. I think this call is on record, you can take a reference of these 3 raw materials whereby the cost of Fenbendazole has not gone up because the formulations do not support it. The movement has increased the price and tried to increase the price of my finished product, the formulation

should sustain it. You should take this in mind and if the formulation does not sustain it, the formulation goes on a pause. So that has happened in the case of Fenbendazole. In case of Albendazole, there is a critical raw material called as Bromine. Bromine is certainly not a petroleum product, but it is an element. The Bromine prices have doubled or rather more than doubled. It was Rs. 100 in Q3 and today Bromine price stands to around Rs. 300, you can check in the public domain in the chemical market. Albendazole prices have not gone up, sir. Albendazole prices are same. This has impacted our margin. There is one more product by the name of Ortho Nitroaniline which is used in Albendazole. Earlier, prices were Rs. 150, today the prices are Rs. 240. These are the differences. Coming to Halquinol, our main raw material is 2,4-DCP, 2,4-Dichlorophenol which we have recently started manufacturing in our Unit No. 4 as a part of the backward integration process and the starting material for that, that is a chlorophenol, the prices have almost doubled. These are the three reasons for the three products for which the rise in the petroleum prices have impacted my margins. It is very genuine. If you want to see in detail how much purchase I have done per raw material, you can certainly drop in down to my office with some analysts, you can see my purchase cost and then arrive at a conclusion. Thank you very much.

**Rushit Parekh:** My second question is we always used to say that generally the increase in raw material prices can be passed on with a time lag.

**Omkar Herlekar:** Mostly, it is to an extent. It happens that if your finished product prices go on, go on soaring and soaring, beyond a particular reasonable extent, the formulations are not competitive. The formulators will simply stop the production, they cannot sell the formulations in the market. It has happened in the past in many kind of drugs. You take example of folic acid. You take example of folic acid which is one of the vitamins in the basic human system. Folic acid prices were Rs. 2,500 to Rs. 3,000 a kg. It went up to Rs. 15,000 a kg. All the formulations went down. Formulators stop formulating because they were not able to sustain the prices. Same happened with Vitamin B12 also. I can give you at least a dozen of products where the formulations have become noncompetitive because of the rise in the API price. The same thing has happened, and it is just the unlikely situation it happened sometimes. It is not every time, in the last 7 years, Lasa has not seen this phase before. But this time, it has seen, and it is genuinely the case of the rise in the raw material price.

**Rushit Parekh:** Sir, My question is that assuming that the raw material prices remain at the current level, then what happens in terms of the time lag?

**Omkar Herlekar:** No, sir. That is the reason why I have already mentioned that the growth in the first 2 quarters will be muted. That is because we are not having clarity for raw material prices. We are really not having a clarity what is the raw material price going to be. Had been there was approximation that some plant which is close down because of which, there is a raw material shortage, I would have able to comment that this plant is going to start and then the supplier is going to supply this raw material, but there is no clarity. Whenever we ask the supplier, there are the reasons that there are some environment issues or there are some other issues from the suppliers' point of view I am talking. So there is no clarity. So I really do not know how many

days this will continue. So we expect at least for a quarter time it may continue, it may not continue also and I have already oriented you the name of the raw materials. You can check it from the public domain.

**Moderator** Thank you. The next question is from the line of Abhijit Pathadkar from Abhijit Investments. Please go ahead.

**Abhijit Pathadkar:** Yes, I just wanted to know two things. One is, there is an exceptional item of 26 crore last year which is related to what expense?

**Omkar Herlekar:** Exceptional item was the write-off of the de-merger. The last year exceptional item was this Lasa was being demerged from its parent company Omkar Specialty. And there were lot of stocks, inventories, capital assets which were not of use to us. In fact, those were needed to be modified or from the design perspective or from the qualification perspective. So from that point of view, it was written off. It was communicated in the last conference call, so this is nothing a new item.

**Abhijit Pathadkar:** Second thing is that I just wanted to know the outbreak of this Nipah virus in Kerala, since it is spread through pig, is there any business opportunity for Lasa in this particular?

**Omkar Herlekar:** No sir. First of all, these viral diseases cannot be cured by medicines. They are to be either cured by vaccines or by Immunotherapy agents. So we are neither into vaccines nor into immunotherapy agents, so can't we really comment on this. We are into Benzimidazoles which are useful in de-worming as well as putting up lean muscle mass in cattle.

**Moderator:** Thank you. The next question is from Samit Sharma from IDA Ventures. Please go ahead.

**Samit Sharma:** My question is in terms of the top-line. There was an acquisition done in the last quarter, Abhinandan. So where is that top-line growth? From what I can see, there has been not much of a growth Q-on-Q. Another related question sir is that you mentioned that raw material costs have gone up. I think in quarter 2 also your raw material cost was again at 52 crores or something at which point oil prices were pretty muted. Thank you.

**Omkar Herlekar:** Yes, can you please repeat your last statement? I really little bit overheard it. Can you please?

**Samit Sharma:** The second part of the question is that in Q2 of 2018, the raw material cost that is there is again around 52 crores odd which is similar to what you got in Q4. Now Q4 you say is because of the high oil prices but in Q2 last year there was no such scenario.

**Omkar Herlekar:** Q2 last year? I have to refer it.

**Samit Sharma:** In September '17 if you look at the consumption of raw materials, its 52 crores right which is very similar to the current quarter result.

**Omkar Herlekar:** This is not last year, this is Q2 this year, Q2 FY18.

**Samit Sharma:** Yes I know. I am just saying that quarter ended September'17, the raw material cost was similar to this quarter. So why is this volatility there even though the oil prices were not higher that time? That's the second part of the question.

**Omkar Herlekar:** So I will answer your question. First of all, the Abhinandhan Rasayan. In the case of Abhinandhan Rasayan, the recent acquisition which we have done, we have not yet received the possession of the premises. Things are still into a due diligent stage and it is still going on. It's very premature to comment over anything at this moment. As soon as the deal goes through, we will notify you through the exchanges and maybe in a very short span of time some notification is expected to happen. So this is about Abhinandhan. Certainly, if you start this production over there, it will be a fully backward integrated and it will be very much supportive to the current manufacturing setup which we are having. Number two, this Q2 of FY18 which you have seen, yes the raw material prices are somewhat similar to this. Only you should not take into consideration the raw material prices over here since other things like other operating expenses and other things which are there are currently mashing up the EBITDA, total EBITDA to 18% this year and raw material prices are very subjective. It happens like this. As you know petroleum, crude and other non-petroleum items also like chloro-alkali products like acids, then other solvents which are molasses based. So everything put together, raw material prices are expected to fluctuate quarter-on-quarter. This quarter we saw really very much jump up in the raw material prices because of which the other parameters like PBT and EBITDA and other things came negative or flat. Again sorry sir, just trying to explain to you in a different way. If you go to see by the present raw material price, in Q2 of FY18, it is 65% is the raw material cost sir, 65% whereby this year in the last quarter the raw material prices are 91%. You see, there is in the bracket there is a change in inventory, there is one column which says 9.38 crores. So that is not seen. That has been overlooked, I think so. So please check it. In Q2, the raw material prices were 65% of the revenue and it was very much in line with Q1, Q2 and Q3. Only in Q4, there is a jump in raw material prices, cost of raw materials. Please recheck.

**Moderator:** Thank you. The next question is from Dipankar Nayak who is an individual investor. Please go ahead.

**Dipankar Nayak:** The question is, is there a crude price beyond which we will not reach breakeven. Can you give us an indicator beyond which we are not able to pass on the prices to your customer and therefore it can become not sustainable?

**Omkar Herlekar:** Right. See there are two types of customers whereby one is the government contracted customers and other are the routine customers, off-the-shelf customers. So I may say that if you ask me where is raw material prices beyond which I cannot pass on any benefit to the customer, it is the today's price which we are setting on. The today's price where it is very difficult for us to manufacture, earn profits and pass the same on to customers, so you may assume either we have to bring down the sale and only cater to few people where low volume, high value sale can be done. However, the high volume and low value sale is currently not

possible in this situation. So the current situation is the worst situation, you may say. I don't think the situation may be more worse than this.

**Dipankar Nayak:** And my second question is can you give us an outlook for the next quarter in terms of top-line and bottom-line? Will we be still loss making in the next quarter?

**Omkar Herlekar:** For top-line, I may say that until we get a further much clarity over the prices and all, I think so we will just be able to maintain the top-line as on the fourth quarter which is there. If there is some drastic change in the cost of raw materials, our growth may come to around say 15% or so.

**Dipankar Nayak:** And the bottom-line?

**Omkar Herlekar:** Top-line, we can tell you but for bottom-line again it is very subjective. So bottom-line as our products 8% to 10% is the bottom-line which we expect for our kind of products, I have been maintaining this for few years now. And it is really practical to assume 8% to 10% of PAT figures. So certainly, that much are achievable provided everything else is on line.

**Moderator:** Thank you. The next question is from Ganesh Shetty who is an individual investor. Please go ahead.

**Ganesh Shetty:** Sir, I just wanted to ask regarding the sustainability of financial performance for our company and where on our way the right issue during the coming year due to uncertainty of operations as well as finances as well as to some extent NPAs at your parent company Omkar Specialty, the things are getting from bad to worse. I know there are macroeconomic challenges, crude oil price rise, nothing is supporting us but as a company when we want to build a reputable and good company going forward which is beneficial to the investors as well as promoters as well as for the company as a whole, for all stakeholders, how the road ahead for our company, how the planning is ahead for the company in such circumstances. Can you please throw some light on this sir?

**Omkar Herlekar:** So the future for Lasa is extremely bright, extremely means as bright as sun because we are almost monopolizing into certain products. We have a wonderful infrastructure. Any of the investors can come any point of time and any time see my factories. Certainly, you will appreciate. Always you will appreciate. There is hardly anyone who has not appreciated as on the date. Regulatory approvals, we are top notch. We have almost all the regulatory approvals which are required to promote business into international markets. Human infrastructure, again we are very top notch. We have very good team of technocrats, experts, specialists specializing into Benzimidazole derivatives. So like future for Lasa is very extremely bright. Order book is also always very good. Just in the current scenario where the crude prices and all are very much turbulent, yet our order book of the contracted orders are good. Only we are not able to get good margins in it, but the order book is vibrant. So selling is also not a problem. Dependency over the raw material supply is also not a problem because we directly buy from basic petrochemical manufacturers. So supply is also not a problem. Customer dependency is

also not a problem since our biggest customer is not more than 5%. So again we don't have any dependency over anybody. So overall if you move to see Lasa in a broader perspective, yes in the current turbulent market situation there has been a phenomenal loss to the investors. It is a transient loss, it is a very temporary loss and people may take it in anyway. I mean I don't have to say anything over it but only time will show. I am myself a qualified individual. I have done my post doctorate in organic chemistry plus I have done my MBA in finance, so like myself I am really extremely confident to take Lasa ahead in terms of business growth, in terms of infrastructure growth and everything. Only time will show it. Right now irrespective of how much I shout or how much I try to convince you, it will be really difficult for me to completely convince you. But only time will show it and if you go to see business models, we have benefitted investors in the long run. You see, nothing has happened overnight. And Lasa is just listed, it is not even one year Lasa is listed. Just have some patience, believe in me and you will reap very sweet fruits out of this. Please believe me.

**Ganesh Shetty:** Thank you sir for your assurance but there are certain ways how you can a reputable company by way mergers or acquisition, we are a reputed group. We have got certain parameters, certain strength of our company which is not in the market so with these strength, with this infrastructure, with this business model, with this catalyst chemistry expert technological setup can we rope in some bigger player from international or Indian so that we can showcase our capabilities and then can have a stake sell and the new company can support us in all our financial ambition and all. This was my suggestion.

**Moderator:** Thank you. The next question is from the line of Vinod Gupta who is an individual investor. Please go ahead.

**Vinod Gupta:** Sir, we had plans for this rights issue. So why haven't we done anything about it since the past 3-4 months?

**Omkar Herlekar:** You will be certainly seeing the market, how turbulent it sir and any corporate action which is filed in such a kind of turbulent market situation, I feel that it would be really an injustice to the retail investors. So let the markets stabilize, that's the reason why we have deferred our, nothing is abolished or abandoned as on the date but let the markets stabilize. We are already ready with the offer document that is letter of offer which is to be filed with SEBI and we are just waiting for the markets to stabilize and things to again come to an equilibrium like the crude prices and whatever it may be. So once those are in place, rights issue will immediately trigger. And certainly, rights is not cancelled, rights is just deferred, how soon it will happen will be if you ask me guidance for that, maybe in the second quarter of this financial year, we may be coming up with the concrete rights proposal.

**Vinod Gupta:** Yes, but in the interim do we have enough cash because even now we are managing with very high levels of payables and debt is also kind of..

**Omkar Herlekar:** There is no high payables sir. Payables are very much justified sir. They are almost flat.

**Vinod Gupta:** In a year it has doubled

**Omkar Herlekar:** But business has also grown by 23% sir. See last year the total payable was 25 crores. This year it has become 47 crores against which even the receivables have increased. 34 crore was the last year receivable, this year the receivables are 42 crores sir. And the inventory last year was 33 crores, this year it is 42 crores sir. If you go to see the complete networking, net operating working capital cycle, it is 53 days in front of 72 days last year. So if you go to see the working capital cycle versus the receivables, payables and inventories, it is almost flat sir.

**Vinod Gupta:** But that is because we have stretched out our payments to vendors', right?

**Omkar Herlekar:** No sir.

**Vinod Gupta:** Like because of the cash crunch, we have not paid our vendors.

**Hiral:** In this current Q4, the inventory level is of around 42 crores, receivable is around 42 crores and payable is around 47 crores.

**Vinod Gupta:** Your sales have gone up by 20 odd percent in the entire year

**Hiral:** Okay, you are comparing with the last year?

**Vinod Gupta:** Yes.

**Hiral:** Okay.

**Vinod Gupta:** Are you paying your vendors on time?

**Hiral:** Yes, we are paying the vendors on time. That is why the level of receivables and payables are same, around 42 and 47 crores.

**Vinod Gupta:** Yes. It has now doubled to 48 crores.

**Hiral:** Yes. Correct. Even the receivables have gone up right?

**Vinod Gupta:** Receivables have gone up by 20 odd percent sir. The payables have doubled. Please view these percentages.

**Hiral:** The inventory levels have also gone up from 33 to 42 right?

**Vinod Gupta:** What is that increase sir, that is 20 odd percent similar to the sales level. I am talking about payables?

**Hiral:** If you talk about the entire working capital cycle right

- Vinod Gupta:** That is what I am saying sir, you are not paying to your vendors on time maybe.
- Hiral:** We have been extended with the credit. It is not that we are not paying the vendors. We are getting a good credit from the market that is why the inventory levels have gone up. That is why we can stock the material. In such scenario when the raw material pricing are going up like any, at whatever levels it is going, we have to stock the raw materials and our vendors are definitely supporting us on the same brand. That is what, the thing that has to be considered is the entire working capital cycle which has reduced from 72 days to 53 days.
- Moderator:** Thank you. We will take the next question from Vinay Chabberia who is an individual investor. Please go ahead.
- Vinay Chabberia:** Sir, I have been an investor with your company for a while now. So I understand that sir the cost of raw materials have gone up significantly, what I am concerned is that the top-line has been in the range of 58 to 60 crores for the last 5 quarters.
- Omkar Herlekar:** Right sir.
- Vinay Chabberia:** In the last call you had mentioned that our capacity is around 500 to 600 metric tonnes. And by FY19 we will be touching 1000 metric tonnes.
- Omkar Herlekar:** For Unit No. 4 right?
- Vinay Chabberia:** Correct. If that is the case, it means that you need to double from 500 to 1000 tonnes. With the stagnant top-line, how is that achievable?
- Omkar Herlekar:** Sir that Unit No. 4, capacity is not utilized for direct sales of our final product. It is the fully backward integrated unit and we are currently manufacturing 2,4-Dichlorophenol over there sir. So that top-line is nothing to be correlated with the startup of the Unit No. 4.
- Vinay Chabberia:** Would that not be a significant percentage of the sales?
- Omkar Herlekar:** No sir. There is not, forget about significant, there is 0% sales from Unit No. 4. Whatever capacity utilization is there used for making, is for the backward integration. So if you go to see as the component of the top-line and the startup of Unit No. 4 and its correlation with the last 2 quarters, I think so, it is not a comparable thing or it is not a thing whereby there will be a jump in the top-line because of that.
- Moderator:** Thank you. The next question is from Rohit Srivastava who is an individual investor. Please go ahead.
- Rohit Srivastava:** And thank you Dr. Omkar, we understand your passion, but yes it's a tough time. I don't particularly have any question. I just have a suggestion you might like to take or disagree. I understand that we have a good base of sales around 250 crores, but market cap is very low. So maybe rather than going for right issue and more acquisition, we should work with what we

have, try to fix the house and maybe to build the investor confidence you can convert your debt into equity which will be very helpful to you as well because share price is very low and it will build confidence.

**Omkar Herlekar:** Right sir. We acknowledge this sir.

**Moderator:** Thank you. The next question is from Dipankar Nayak who is an individual investor. Please go ahead.

**Dipankar Nayak:** Yes I forgot Omkar, on the last quarter when we had the conference call in mid Feb and you gave a forecast that you will be 32% growth in top-line and your margin should be the same. But I assume in the middle of the quarter you would be already beating the high crude prices and your raw material prices then. But still you gave a forecast for this quarter that it would be, but then it went out of line. So did you hit the raw material prices after mid Feb or when you are giving the forecast?

**Omkar Herlekar:** These prices were going since September onwards. These prices were growing steadily. However, we were not expecting such a kind of jump in the price. Even the raw materials which I just in my earlier questions with some of the investors, I had already specified the name of the raw materials also, one can take it from the public domain and really the prices have gone 200% and even in some cases 500% also. So it is really helpless for that. I mean such kind of forecast we never had. So while giving any guidance we usually assume a contingency of 20% or 30%. So that much is the absorbable contingency in the case of raw materials. In such 300 or 400 percent of contingencies never factored while giving any kind of guidance sir.

**Dipankar Nayak:** And my question instead of that is you would be already facing that when we had the conference call last quarter, so shouldn't you have warned your investors?

**Omkar Herlekar:** So we were never under the impression that, that is the peak and the raw material prices will come down. However, that doesn't happen. They are going on soaring and soaring day by day. See, it is really beyond our control.

**Moderator:** Thank you. The next question is from the line of Pankaj Pandegar who is an individual investor. Please go ahead.

**Pankaj Pandegar:** I want to know what is the loan breakup? I had written to the Company Secretary, Hitesh that I find some discrepancy in what is declared on the NCA website and what was discussed in the concall. But that was never answered, so now I want to know what is the promoter loan, what is the interest rate on the promoter loan?

**Omkar Herlekar:** The promoter loan is 32 crores. It is an interest free loan which will be infused from so many years. In the last half year, the total infused loan was 15 crores, so you can subtract 15 minus 32 whatever is there was the earlier loan. In next half quarter, it was 15 crores. Then the total

long-term borrowing as on the date is 60 crores, so 60 crores is the long-term borrowing. Around approximately 30 crores is the short term borrowing, so this is the current debt profile.

- Pankaj Pandegar:** So total debt is now 120 crores?
- Omkar Herlekar:** 60 plus 30, 90 crores.
- Pankaj Pandegar:** Including the promoter loan you are saying it is 90 crores.
- Omkar Herlekar:** Including the promoter loan. So you can subtract the 30 crores from it. Total loan in the company is 60 crores.
- Pankaj Pandegar:** Sir, but if I see the NCA website, it says that Axis Bank loan is like 76 crores and I have one more question.
- Omkar Herlekar:** 76 crores? Axis Bank? Sir that is sanctioned, there is no disbursement which has happened.
- Pankaj Pandegar:** One more thing was I also see entry of some Sahakari bank there.
- Omkar Herlekar:** Yes, which one entry? DNSB, Dombivli Nagari Sahakari Bank, 1.8 crores is the total loan of Dombivli Nagari Sahakari Bank.
- Pankaj Pandegar:** That was fixed up like for what purpose?
- Omkar Herlekar:** That was fixed up in Abhinandhan Rasayan deal, the acquisition deal.
- Moderator:** Thank you. The next question is from Arpit Maheshwari from SSB Advisory Private Limited. Please go ahead.
- Arpit Maheshwari:** So you have a fire incident at your Mahad unit? So what are the delays in payables after the fire incident and what is the current position now? And I also want to know that what is your current order book?
- Omkar Herlekar:** On 26<sup>th</sup> April FY18, there was a fire incident which was reported in one of the companies located in MIDC Mahad. See since the fire was very severe and the entire area within 2 km radius was immediately evacuated by the regulatory authorities without any prior intimation for the safety reasons which resulted into halt of the entire production haphazardly including even those batches which were also running in the process. So the company has not suffered as such any loss to life or injury and also I would like to state that all our hard assets are intact with no major impact. The company has all the insurance policies in place, which includes business interruption, material damage, fire, natural calamity etc. to deal with some incidences.
- Moderator:** Thank you. The next question is from Nandha E who is an individual investor. Please go ahead.

**Nandha E:** So I am very happy to hear the assurance what you have given regarding the future of Lasa but again this is also subjected to the assumptions what you have currently, some assumption on the crude prices or whatever it is. So the lifetime high of crude oil if you see is again 20 and recent peak is around 80 some odd crore. So what is our plan if the crude oil goes on increasing, if the price of the crude goes on increasing like this, so what is the alternate plan we have? So even if it shoots up to 120, are we going to close the business?

**Omkar Herlekar:** No sir, if it shoots to 120 or if it shoots to any level, there is something which is called as contracted orders. So the contracted orders, they are basically the milk producing companies and the chicken producing companies where we deal directly. So in that cases, the orders are not affected, they are reasonably passed on to the formulators. The formulators are the people who export the formulations. There the problem is there. There, we get resistance for the increment in the cost. And certainly it never happens like that the crude prices will go on. The prices if you meticulously see over here, what kind of raw materials have gone up, it is not the direct crude. Yes, the direct crude is up but because of the direct crude, there are other things like hydrogen hydrate which is indirectly dependent on the direct crude. There is a product like Thiophenol which is again indirect on the crude, which is not the direct crude related substance. So these prices have increased and if you go to see the increase in the price, the reasons are very silly because the crude prices have gone up, the Japanese plant have shut down making chaos. They thought that they will take a breakdown for 3 months and then refurbish their plant. And these are the reasons which are given that the Japanese and Chinese people about to an extent. So it is not only the crude price and I don't think it will go on and go on that business will one day come to a halt. This is a very unlikely situation. If it happens with us, then it will happen with other guys also who are depending on the same kind of raw materials.

**Moderator:** Thank you. The next question is from Brij Bhushan Tayagi who is an individual investor. Please go ahead.

**Brij Bhushan Tayagi:** Dr. Herlekar, I just wanted to know who are the other major manufacturers of your kind of APIs that is the Benzimidazole class of APIs in India?

**Omkar Herlekar:** In India, the Benzimidazole class of APIs is only manufactured by SeQuent Scientific.

**Brij Bhushan Tayagi:** My other question is the agreement you signed with CIDIC of China, have some transactions taken place on this?

**Omkar Herlekar:** Major transactions, see I will come back to you over the total revenue, import revenue, the cost of material purchased from CIDIC versus the amount of products sold to CIDIC also in the last financial year that is FY18. So we have the entire data and you can write to us, I can give the breakup of that.

**Moderator:** Thank you. The next question is from Pawan Jaju who is an individual investor. Please go ahead.

- Pawan Jaju:** So I think there is couple of things that I wanted to just make sure and understand and one is in terms of the transparency with respect to the links between Lasa and Omkar. I know both are demerged entities, but however, there is some sort of new slope that is comes in for Omkar, definitely Lasa gets impacted. So what level of transparency do you intend to bring in to the investors so that we are assured that there is no linkages between the fortunes of the two companies?
- Omkar Herlekar:** You can come to my office and see my books. That is the best transparency I can offer you.
- Moderator:** Thank you. The next question is from Harish Shiyad who is an individual investor. Please go ahead.
- Harish Shiyad:** On Slide number 10, you have said that the other expenses are inclusive of some demerger expenses and expenses have gone up from 12 crores to 20 crores. Can you quantify what was your expense and what type of expenses and when it has spent?
- Omkar Herlekar:** Obviously sir. I have to refer that. You have to give me some time.
- Harish Shiyad:** Yes, slide number 10 you can refer.
- Omkar Herlekar:** See last year anyways it was 12 Cr and this year it is 20 Cr. So there is deficit of only 8 crores. The other expenses are mainly on account of incurred in the demerger process, the lawyer fees, the cost of NCLT, the stamp duty for demerger and everything.
- Harish Shiyad:** I understand. I am asking what the quantum of your expenses is so that it will not get incurred next year. I want to understand that amount.
- Omkar Herlekar:** Around 6 crores.
- Harish Shiyad:** Sir, when it was spent? It was throughout the year or how it was? Per quarter 4 to 5 crores you have spent.
- Omkar Herlekar:** Stamp duty is a onetime expense; however, there are other contingent expenses also which will come on in the upcoming days also. See for running organization, some other expenses are needed to be factored like lawyers and solicitors and many other things, regulatory expenses and many other things sir. So these are expected to of course in this year whatever expenses are incurred certainly in the upcoming year, the expenses will be reduced to a extent of around 4 to 6 crores.
- Moderator:** Thank you. The next question is from Diwahaar who is an individual investor. Please go ahead.
- Diwahaar:** Just wanted to know, what is the free cash we have generated for this financial year '18.

- Omkar Herlekar:** No free cash we generated. We did do debt repayment and we are continuously blowing back whatever generated money to business itself to sustain the operations. So for the next two years I don't think there will be any free cash generated from the business, at least up till FY19.
- Diwahaar:** What is your annual CAPEX plan?
- Omkar Herlekar:** Annual CAPEX plan will be at least you may say around say 10% of the top-line sir.
- Diwahaar:** 10%? Including R&D or?
- Omkar Herlekar:** I am talking just approximate figures sir. It will all depend on acquisitions or any other things or else major breakdown or anything. We don't foresee any major breakdown but approximately 10% to 12% would be the annual CAPEX plan.
- Moderator:** Thank you. The next question is from Dinesh Kumar from Wealth Bulls. Please go ahead.
- Dinesh Kumar:** I have two questions but it's nothing about figure, so if you could sum it up very shortly. My question number one, in the next 5 years how Lasa Supergenerics will look like? How you are doing with your R&D, the growth we will do with only organic way or you are planning for some inorganic acquisition or something?
- Omkar Herlekar:** It will be a mix and match sir. Not purely organic, not purely inorganic also and we will focus on only those areas for inorganic acquisitions where we feel that the backward integration reach can add something to the incoming business. In case of the existing business, we will try to improve yields, we will try to improve the effluent outgo and the byproduct recovery and yield optimization and many more things. The segment into which we are dealing is a very niche segment where there is hardly any major competition and if you give me some time for at least 1 or 2 years more, Lasa will be a self-explanatory model.
- Dinesh Kumar:** My question number two, what are the key reasons that Lasa has to be demerged from Omkar? Is it purely because of personal reasons between you and your father or it has to do something with the company?
- Omkar Herlekar:** Many things sir. There are many things. One is the family decision is one of the aspects to it. Second is that both businesses are different with different customers, customers regulatory appetite, geographies also. And finally, even the working capital model is different for both the companies. So that was the rationale behind the demerger sir.
- Moderator:** Thank you. Due to time constraints, we will be able to take one last question. The last question is from Janaradhan Natarajan who is an individual investor. Please go ahead.
- Janaradhan Natarajan:** I want to know like we are seaying the R&D, do we have a dedicated R&D lab? Where is it located?

- Omkar Herlekar:** We have a dedicated R&D lab. This is located in Mahad. And in our Mahad unit number 1 which is the mother unit for Lasa, there is the R&D lab where it is located. And there are almost 10 scientists working over there full time into process.
- Janaradhan Natarajan:** Sir, one last question, we had appointed joint auditors. What is the logic of appointing joint auditors?
- Omkar Herlekar:** Yes. See our sole reason behind appointing a joint auditor was to speed up the SEBI filing of our letter of offer for the proposed rights issue and our planned rights issue. However, going forward we observed that there was a potential conflict of interest between the 2 auditors which was just slowing down our whole process rather than expediting. We found it appropriate to continue with only one statutory auditor for a healthy and smooth process.
- Moderator:** Thank you. We will be able to take one last question. The last question is from Abhijit Awaikar who is an individual investor. Please go ahead.
- Abhijit Awaikar:** Promoter proposed Vishnugupta's name as the director but while voting they voted against the proposal. So why is that?
- Omkar Herlekar:** See Mr. Vishnugupta is a very experienced person with a great industrial knowledge. He remains with the organization still even at the senior management level. However due to internal reasons, he was not found suitable to remain on the board. But he still continues to be a part of our core KMP team. The reasons and deliberations taken by the board are of sensitive and confidential nature to the business and organization. And therefore, these internal reasons cannot be disclosed sir.
- Moderator:** Thank you very much.
- Omkar Herlekar:** Thanks a lot for joining the concall. I hope Lasa a very bright and vibrant future in the days to come. Please be with us and remain with us.
- Moderator:** Thank you very much. On behalf of Lasa Supergenerics Limited that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.