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Date: 05<sup>th</sup> June, 2025

To,  
The Manager,  
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Mumbai- 400 001

The Manager,  
Listing Compliance Department,  
National Stock Exchange of India Ltd.  
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**Security Code: 532815**

**Symbol: SMSPHARMA**

Dear Sir/Madam,

**Sub: Transcript of the Conference Call held on 2<sup>nd</sup> June, 2025.**

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 Monday, 2<sup>nd</sup> June, 2025 for the fourth quarter and financial year ended 31<sup>st</sup> March, 2025.

A copy of the said Transcript is being uploaded on the website of the Company [www.smspharma.com](http://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 '25 Earnings Conference Call”**  
**June 02, 2025**

Disclaimer: E&OE - This transcript has been edited for clarity. In case of discrepancy, the audio recordings uploaded to the stock exchanges on 02 June 2025 will prevail.



**MANAGEMENT: MR. VAMSI KRISHNA POTLURI – EXECUTIVE  
DIRECTOR – SMS PHARMACEUTICALS LIMITED  
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MR. THIRUMALESH TUMMA – COMPANY SECRETARY  
AND COMPLIANCE OFFICER – SMS  
PHARMACEUTICALS LIMITED**

**Moderator:**

Ladies and gentlemen, good day, and welcome to the SMS Pharmaceuticals Limited Q4 and FY '25 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 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

Today, we have with us Mr. Vamsi Krishna Potluri, Executive Director; Mr. Lakshmi Narayana Tammineed, Chief Financial Officer; Mr. Thirumalesh Tumma, Company Secretary and Compliance Officer. I now hand the conference over to Mr. Vamsi Krishna Potluri, Executive Director. Thank you, and over to you, sir.

**Vamsi Krishna Potluri:**

Good morning, everyone, and thank you for joining us on today's call. We appreciate your continued interest in SMS Pharma and the time you've taken to be with us this morning. I trust you had a chance to review our financial results and other investor materials that were uploaded to the Stock Exchange and our company website earlier.

Let me begin by saying that FY '25 was a landmark year for SMS Pharma, we delivered a 39% growth in PAT, which marks one of our strongest earnings performances in our recent history. This was driven by volume growth, cost efficiencies and continued focus on execution. These outcomes are a result of a consistent strategy we followed over the last 4-5 years—built on scale, process optimisation and optimal product mix.

I'd like to highlight a few points -- a few important milestones on this journey. We've built -- we've launched Asia's largest dedicated and automated production block for ibuprofen. We've invested close to INR150 crores in backward integration projects for cost efficiency and margin sustainability across our API portfolio. Our facility successfully cleared and EUGMP and U.S. FDA audits, a reflection of our strong compliance culture. We added a few new products and in several of them, we've already attained leadership positions. And most importantly, we remain committed to maintaining a diversified product mix—which has helped us protect and expand gross margins, even through industry cycles.

Moving on to our financial performance. In Q4 FY '25, revenue grew subsequently by 43% to INR248 crores, showing a strong recovery in demand and execution. For the full year, revenue rose 10% to INR783 crores, driven by good traction in anti-inflammatory and ARV products. We have also scaled up ibuprofen production significantly and are now among the top producers in India.

Coming to profitability. In Q4, gross profit rose 18% year-on-year to INR75 crores, with margins improving to 30%, up 444 basis points. For the full year, gross profit grew 23% to INR259 crores, and gross margins improved to 33%, up 330 basis points from last year. This comes from a better product mix and benefits from backward integration.

EBITDA in Q4 was INR41 crores, up 21% year-on-year with margins at 16%. For the year, EBITDA stood at INR139 crores, up 19% with margins improving to 18%. These factors translated into the strong profit growth I mentioned earlier.

PAT for Q4 was INR20 crores, up 18% from last year, with margins at 8%. For FY '25, PAT grew 39% year-on-year to INR69 crores supported by margin expansion, volume growth and lower finance costs.

Let me also take a moment to walk you through our segment-wise performance for the year. Anti-inflammatory and ARV segment were key growth drivers in FY '25. Anti-inflammatory grew 22% year-on-year to INR148 crores, and ARV rose 15% to INR163 crores. Anti-epileptic saw the fastest growth, up by 106% year-on-year to INR29 crores, driven by strong demand and expanded market access. Anti-diabetic remained our largest segment at INR185 crores, growing 5% year-on-year despite prices softening this year. We have also seen strong growth in anti-erectile dysfunction and other APIs, rising 15% year-on-year.

Our focus on maintaining a balanced and diversified product mix continues to help us navigate volatility in any one segment and support margin stability over the long term.

We have also made meaningful progress on our long-term strategy this year, laying the foundation for stronger growth going forward. First, our backward integration project has received all the necessary licenses and approvals. Commercial production of key intermediates is set to begin this quarter. This will help materially improve margins starting Q2 FY '26.

Second, we continue to deepen our customer base in regulated markets. In FY '25, we onboarded several large clients across our API portfolio and saw meaningful scale-up in key molecules. This improves not just the revenue visibility, but also the customer stickiness.

Third, we have approved a new capex plan of INR250 crores over the next 18 months. This will support expansion in both existing and new products. The product mix of this capacity addition includes a healthy balance of high-volume and high-value APIs and will also expand our CMO business. Additionally, the Board has approved a INR10 crores investment in SMS Peptides Private Limited to be executed in one or more tranches.

Fourth, we've made meaningful progress over building a robust pipeline of new molecules to drive our growth over the long term.

Looking ahead to FY '26, we are entering the year with strong momentum. We are targeting 20% revenue growth and aiming to expand our EBITDA margins by 20%. This should enable us to deliver another year of strong earnings performances. Revenue growth and margin expansion will be driven by the benefits of backward integration, improved scale and volume growth across our key products. Our recent announced INR250 crores capex plan will further support this growth by adding capacity in high potential molecules.

We believe we are on the right path, having laid a solid foundation for sustainable and profitable growth. With continued focus on execution, cost control and quality, we are well positioned to end FY '26 stronger than we began. Thank you. We are ready to answer any questions.

- Moderator:** The first question comes from the line of Pranav Gandhi from Lotus Wealth.
- Pranav Gandhi:** I was going to the balance sheet and noticed that inventory was INR285 crores. If our gross margin is at 44% and the quarterly results are at INR248 crores of revenue, we are holding inventory that is almost 7 to 8 months of our sales. On the other hand, we have got a debt of INR311 crores on which we paid INR20 crores of interest every year, yet we are sitting on our extensive stock that doesn't add up. Also, why that a company is keeping almost 3x of what peer companies keep in the inventory?
- Vamsi Krishna Potluri:** Yes. Thank you for your question. So if I got your question correct, I think you're mostly asking about the inventory levels, right?
- Pranav Gandhi:** Yes. Yes.
- Vamsi Krishna Potluri:** The reason for the high inventory that we are currently maintaining. So inventory that we're currently maintaining is because we have some high-volume products that we are currently moving in terms of volumes, like, for example, ibuprofen, which is high-volume product. And also, we have some old products where we are sitting on some inventory like HCQ like some COVID-related product where -- which is not moving, but we are sitting on that inventory. But definitely, in the next coming year, we have plans to reduce our inventory level. It will definitely come down.
- But definitely, we will be carrying a higher inventory levels because we are sitting on commodity products, where the delivery cycle is like -- my lead time for any orders that we get is hardly like 4 days or 5 days. So we have to sit on sufficient inventory or else we had -- we run the risk of losing those orders. These products I'm talking about are commodity products, like we're talking about like ibuprofen or tenofovir or sitagliptin. These are all little commoditized products.
- And if you don't sit on this inventory, we will have a risk -- we'll run the risk of customer placing the order to our competitors. So we are sitting -- so our inventory levels over the past have definitely increased because of the product mix and the different set of products that we are currently manufacturing. But definitely, our plan is to reduce the inventory in this coming financial year.
- Pranav Gandhi:** I have a following question to this. How much amount of written-off inventory are they looking forward in the coming years?
- Vamsi Krishna Potluri:** So no written-off inventory. We don't have any -- it's a slow-moving inventory.
- Pranav Gandhi:** Suppose if I've got earlier, INR80 crores to INR90 crores of inventory from the COVID, which is more than 3 years, and it is impossible to use it in the following formulations and drugs. Shouldn't this portion be written off by now?
- Vamsi Krishna Potluri:** No, it is not INR90 crores. It is INR40 crores. And it is -- and this is also not one product. This is HCQ also is part of that. And HCQ is not COVID-related product. It is a regular product, where the customers already filed our product in the U.S. They are anticipating a launch maybe

in the next 2-3 months. So we have plans to liquidate that inventory sooner. So that's the reason. And there is -- it's a slow-moving inventory.

**Pranav Gandhi:** Okay. Also, I wanted to ask another question. To increase the ROCE and ROE, we need to have a tight counter on the inventory. What's the management's view on the inventory supply chain management and the efficiency?

**Vamsi Krishna Potluri:** So again, as discussed, right, I think we plan to reduce the inventory going forward. Again, if you've seen our track record, typically, SMS is a very conservative company. We don't typically keep a huge inventory at our books. But up to now, the product mix that we've come up with is products where our inventory levels need to be a little on the higher side. But definitely, I think based on the increase also in our top line, right, so our growth is also in that sense.

So we are maintaining higher -- a little higher level of inventory compared to previous years. But definitely, I think that will go down this year. But it will not go down to the level that was there like 3, 4 years back because that sort of level inventory is needed based on the products that we are currently manufacturing.

**Moderator:** The next question comes from the line of Aryan Jain from Stern Capital. Since the participant has dropped, we will move to the next participant. The next question comes to the line of Arnav Darmashi.

**Arnav Darmashi:** So congratulations on a good number. Sir, I just wanted to understand that in terms of our gross margin gain, what percentage of gain came from backward integration?

**Vamsi Krishna Potluri:** What -- sorry, I didn't get you what percentage?

**Arnav Darmashi:** Yes. So gross margins have gone up on account of better product mix and backward integration as well. So I just wanted to understand how much of that came from backward integration and how much of that was from product mix?

**Vamsi Krishna Potluri:** So product mix, I think I would say around 60% product mix. I think 30% from backward integration because our backward integration products -- I mean the project was just commercialized not fully, but part of it was commercialized in the last quarter. So this year, I think that percentage will be much higher for backward integration projects just for FY '26.

**Arnav Darmashi:** Okay. Okay. And we've spoken about some of -- I mean you're looking at launches for API intermediaries. And so what kind of pipeline are we looking in terms of our API supply?

**Vamsi Krishna Potluri:** So we are very strong in the certain therapeutic categories, definitely. So those therapeutic categories are our key focus. And along with this, we have some interest from a few other customers for different products. So we are looking at a mix of our existing therapeutic categories, also a few categories, which we are attracting good interest. So it's a mix of both.

**Arnav Darmashi:** Okay. And last question is for the incremental INR250 crore capex that we are looking for over the next 18 months, what kind of asset turn are you looking at on that front?

**Vamsi Krishna Potluri:** So we are looking at an asset turnover of 1.

- Moderator:** The next question comes from the line of Surabhi from NV Alpha Fund.
- Surabhi:** So my first question regarding your ibuprofen segment. So your ibuprofen currently, what is the mix that you are selling in your regulated markets versus the nonregulated market? And how much of the ibuprofen would be backward integrated currently?
- Vamsi Krishna Potluri:** So right now, it is around, say, maybe 40% to regulated markets and 60% to domestic and ROW market. And like I say, regulated market, it is including the deemed export also, so where the product is sold in India for the end finished dosage sales in the U.S.
- So I'm considering that I think it's around 40% to the regulatory market and 60% of our business to the domestic market. And coming to the backward integration part. So we have 2 major intermediates. One of them is already backward integrated. The other one is in the pipeline.
- Surabhi:** Got it. And you also mentioned about backward integration for some of the other APIs. So is this going to be in the high-volume API segment or the high-value API segment? And just a follow-up to the previous one. Is there scope to increase your ibuprofen share in the regulated markets from 40%? Like can that increase to like 60%?
- Vamsi Krishna Potluri:** Yes, definitely. I think it can definitely -- so the thing with regulated market is we have -- we are -- so one by one, we are getting approvals from some of the U.S. customers. So the U.S., it takes time, right? So they have to take validation batches. They have to load a stability, file their PAS and then they get commercial approvals.
- So we -- apart from these customers, I think we are targeting a good number of regulated customers where our product is already sampled and that it's at various stages for different, different customers. For sure, next year, definitely, that proportion is going to increase not to 60%, I think it might even go to 70% also. So that's the plan. But slowly one-by-one, once we start getting customer approvals, it will take time, but we'll be getting them soon. And I'm sorry, what was your other question?
- Surabhi:** So what other APIs are you looking in backward integration, like which therapies? Is it the volume category or the value category?
- Vamsi Krishna Potluri:** So actually, it is mostly the volume categories, like 80% major focus will be on the volume category because that's where the cost pressure is, on the volume ones, like some of the anti-diabetic segment is a critical one and anti-epileptic is one segment we're currently looking at. And low volume are decent margins. So currently, like our focus is there, but it's limited. Most focus is mostly on the high volume ones.
- Surabhi:** Got it. And just last question, what is your current capacity utilization across both the facilities?
- Vamsi Krishna Potluri:** It is around 75% to 80%.
- Moderator:** The next question comes from the line of Anmol Ganjoo from Shanika.

**Anmol Ganjoo:** Yes. Congratulations for a good quarter. Just a couple of questions. One is that what is our capital expenditure plan for this year, the outlook as well as what did we do in terms of capex for the last year?

**Vamsi Krishna Potluri:** So the capex that we've spent in FY '25 was around INR150 crores. As discussed earlier, it was mostly for backward integration of some of our key APIs so that was where capex has gone through. For this year, the capex is close to around INR250 crores. So we are adding new blocks where we'll be manufacturing -- increasing the volumes of our existing product, mix, and also we'll be adding new products.

And also, we'll be dedicating some capacity for CMO also where we are actively getting a lot of interest for some of our -- I mean some -- for the plant, we are getting a lot of interest on CMO activities also. So it will be a mix of 3, 4 segments that we'll be spending this FY'26 capex on.

**Anmol Ganjoo:** So just help me understand this one. So the last year, INR150 crores that we have spent in terms of addition to net of the maintenance in capex, what is the asset turn that we are aspiring for on that? And when you are making your capital allocation decisions in terms of what are the areas you're going to be investing in, what is the basic maths that you're working with?

And how do you see this addition to this gross block start contributing to revenue and then what time frame? So if you could just walk us through this whole thought process in detail, it would be helpful.

**Vamsi Krishna Potluri:** Correct. So last year, based on our investment, I think...

**Management:** 0.67 is asset turnover.

**Vamsi Krishna Potluri:** 0.67 is asset turnover. Total asset turnover last year was 0.67 for FY '25. And definitely, I think this year, again, it's gone into -- so the capex, as I was highlighting in my speech, the vertical integration, the block set up, everything is completed. Right now, we are taking validation batches at this point of time. So the revenue will start factoring in -- the margins will start factoring in. You will see an increased revenue from Q2 FY '26 for the last year project that we've done.

And coming to this year, we are adding INR250 crores approximately to add new block to add more products and increase our capacities for our existing products. So definitely, I think these revenues -- so we are again targeting an asset turnover of 1 for FY '26. And we are anticipating that commercials to start in early FY '27.

**Anmol Ganjoo:** Right. So basically, with a lag of 12-15 months, your each capital expenditure should yield an asset turn of one. Is that fair in terms of understanding? And the incremental capex that you're spending, so for example, if you look at the INR250 crores, there's a part of that which is going to CMOs, etcetera.

And if you benchmark it against peers, that number tends to be higher than 1. So any thought process there because one is just right on the fence and given the commodity nature of some of these products, there could be reasonable periods of time where even cost of capital can't be



recovered? So on a blended basis and also on an incremental basis, when you're doing your capital allocation decisions, what are the areas you're trying to get into?

And how are you thinking about the cost of the capital versus a return on a sustainable basis? You take the point that there will be a lag between the time you put capacity and it starts yielding, but on a consistent steady-state basis, what should the asset turn be and what is it that you're targeting?

**Vamsi Krishna Potluri:** See, the target is one, to be honest with you. Right now, it is 0.67. If you look at our pharma industry, I think the average that is currently at this point of time, like from our peers, almost 20 companies like very close to us, is close to around 0.6 to 0.7 range, okay? So we are targeting to be around one, which is a very, very good number and very aggressive number. But right now, we are at 0.67, which is as per the industry standard at this point of time.

And with respect to the margins that you were mentioning, if you see that though you mentioned commodity products, right? So though we are doing products like ibuprofen and which are very commodity in nature, if you see our product profitability has gone up significantly, I think this year, we've closed at 40% higher PAT than the previous year.

So my thinking is like though we are working on commodity products that it is more crucial like we are vertically integrating on some of these products to make sure that our profitability remains and our profitability increases. That is the target that we are planning to do. And again, coming back to your question, I think we are targeting -- our target will be asset turnover ratio will be 1.

**Moderator:** Does that answer your question, Anmol?

**Anmol Ganjoo:** Yes, it does. Thank you.

**Moderator:** The next question comes from the line of Srihari from P.C.S Securities.

**Srihari:** Yes. So for your main two therapies, that is anti-diabetes and ibuprofen, if you could please share the volume growth. And I would also like to know the price outlook for the two segments? Thank you.

**Vamsi Krishna Potluri:** So price for ibuprofen has sort of stabilized right now. It's stable. I think since last 1 year, it was on the down trend. But since last quarter, it's sort of stabilized, and it's a good point. And with respect to the growth, so growth, I think it is 22%. Anti-inflammation, ibuprofen is around 22%. And anti-diabetic growth around 5%. So anti-diabetic, I think we have 2-3 critical products on the anti-diabetic segment.

And yes -- so we anticipate the same volumes in anti-diabetic segment because on the anti-diabetic segment, one key factor was that patents have gone up. But still, we were able to retain the market share and retain the volume, which was a very good thing. The patent went off in Europe in '26 -- so we were -- sorry, in '25. So we were still able to retain that market share. And anti-inflammatory I think we are taking good steps to increase our market share.

- Srihari:** Sir, if I'm not mistaken, the value growth was 22% and 5%. I wanted to know the volume growth?
- Vamsi Krishna Potluri:** For ibuprofen, 2,200 MT for the current year, FY '25. 1,800 MT is what we've have done the previous year.
- Srihari:** And can I have the corresponding number for sitagliptin?
- Vamsi Krishna Potluri:** So sitagliptin, I think, is a little more confidential because it's a joint venture project. So unlike -- so unfortunately, we'll not be able to disclose the exact volume that we've done at this point in time.
- Srihari:** Okay. Any target for ibuprofen volumes this fiscal?
- Vamsi Krishna Potluri:** So we are targeting close to around 5,000 tons this year.
- Srihari:** 5,000 vis-à-vis 2,200?
- Vamsi Krishna Potluri:** Yes.
- Moderator:** The next question comes from the line of Arnav Dharamshi from Aashame Enterprises.
- Arnav Dharamshi:** Yes. I just wanted to check, is there a possibility where we are able to gain some market share on ibuprofen side, say, from the large MNC competitor on account of better pricing?
- Vamsi Krishna Potluri:** Sorry could you repeat that question?
- Arnav Dharamshi:** Is there a possibility that we are able to gain market share from a large MNC competitor on ibuprofen on account of better pricing and good product?
- Vamsi Krishna Potluri:** Yes, definitely. I think we've launched this product 1.5 years back, and we have a decent market share right now. So definitely, I think the market share -- I mean the volume for ibuprofen has not increased significantly. It's sort of stable, right? But once we are getting more market share, we are obviously taking it from a competitor right now. So we are definitely taking it from a big competitor. We're pulling some market share based on the pricing.
- Arnav Dharamshi:** Understood. And secondly, I think our capex has been focused towards backward integration. What are your thoughts on growth?
- Vamsi Krishna Potluri:** Growth, in a sense, growth?
- Arnav Dharamshi:** Growth, I mean for the business over the next 2, 3 years, how do you see the business shape up over the next 2-3 years in terms of revenue quality?
- Vamsi Krishna Potluri:** Yes. Yes. So we basically, again, so last year, what we've done was to backward integration. So that revenue will come in Q2 FY '26. So the revenue, you will see from the last year budget backward integration, you will see in FY '26. And this year, again, we're taking up a INR250

crores budget to add new products and also increase the capacities for existing products, not only ibuprofen, but we have a few products that is catching good interest.

And also CMO is a good space that we want to -- we're already there in the CMO space, but we are adding more new products on that space. So this additional capex that we're doing will fund all this. And again, as highlighted in my speech, we are anticipating a 20% growth on the top line and 20% EBITDA margin as well for FY '26.

**Arnav Dharamshi:** Okay. So I just want to clarify, I think in your press note, you have given 20% EBITDA margin as guidance. So is it 20% EBITDA margin for the guidance or 20% EBITDA growth?

**Vamsi Krishna Potluri:** 20% EBITDA margin.

**Arnav Dharamshi:** Okay. So okay, okay. And sir, from Q2, FY '26, what kind of gains are we looking at led by backward integration because by then that we'll have a full cycle payout. So what kind of gains are we looking at, led by backward integration in gross margin?

**Vamsi Krishna Potluri:** If you see our PAT margins have increased significantly, I think, almost close to 39% to previous financial year. Again, we are anticipating a growth of, I think, around 20% on the conservative side for the margins for the next financial year also. So there in a landscape, there is a lot of pressure on pricing, and we are able to navigate this through backward integration and trying to be more cost effective and get some market share as well. And at the same time, increase the profitability.

**Arnav Dharamshi:** Right. Sir, my question was regarding largely on gross profit starting Q2 because you mentioned in the presentation and you spoke about it. And so in Q4, the gross margin was close to 30%. So because of backward integration, what do you see that number go to, say, from 30% to what number because of the backward integration range that we make?

**Vamsi Krishna Potluri:** See I'm not talking about this thing. So what I said was the entire year is 20%. It will be around 20% growth.

**Moderator:** Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Vamsi Krishna Potluri, for the closing remarks. Thank you, and over to you, sir.

**Vamsi Krishna Potluri:** Thank you all for joining us today. FY '25 was a year of a strong execution and meaningful progress across our strategic priorities. As we enter FY '26, we do so with great momentum and a clear focus on delivering stronger revenue growth and margin expansion. We appreciate your continued trust and interest in SMS Pharma's journey. For any further information or clarification, please feel free to reach out to our IR partners Eqsponent. Wishing you a great day ahead. Thank you.

**Moderator:** Thank you, sir. Ladies and gentlemen, on behalf of SMS Pharmaceuticals Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.