



“SeQuent Scientific Limited Q1 FY-23 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the SeQuent Scientific Limited Q1 FY23 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode. At the end, 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. Abhishek Singhal. Thank you and over to you, sir.

Abhishek Singhal: A very good morning. And thank you for joining us today for SeQuent Scientific Earnings Conference Call for the First Quarter Ended Financial Year 2023. Today we have with us Mr. Rajaram – Sequent’s Managing Director, Sharat – Joint Managing Director and Raghavendra Rao – CFO to share the highlights of the business and financials of the quarter.

I hope you’ve gone through our results release and the quarterly investor presentation, which have been uploaded on our website as well as the Stock Exchange websites. The transcript for this call will be available in a week’s time on the company’s website. Please know that today’s discussion will be forward looking in nature and must be viewed in relation to the risks pertaining to our business. After the end of this call, in case you have any further questions, please feel free to reach out to the investor relations team. I now handover the call to Mr. Rajaram to make the opening comments.

Rajaram Narayanan: Thank you Abhishek. And good morning everyone. A very warm welcome to our quarter one earnings call. Joining me in today’s call are Mr. Sharat Narasapur, Joint Managing Director and Mr. P V Raghavendra Rao, who has recently joined the team at SeQuent as the Chief Financial Officer. A very warm welcome to him. Mr. Rao comes with a very enviable track record of senior leadership experiences, a large part of which were spent in leading pharmaceutical companies.

Over the last three months, I’ve had the opportunity to take stock of our businesses, meet several customers and engage with employees across many locations. And I’m more than ever convinced that SeQuent has a very unique and sustainable long-term opportunity, and our strategy will position us well in the fast growing animal health industry. Business this quarter has demonstrated enormous resilience in a macro environment which was affected by geopolitical issues, inflation, recessionary pressures, and of course volatility in certain currencies.

Coming specifically to our quarter one results. The results are a mixed bag, impacted by a few one offs. In quarter one our momentum in the API business was impacted because we had an exceptional one off fire incident at our Vizag facility in May 2022. There were no injuries or any impact on people. And while this would not impact our business over the financial year, it did have an impact in the quarter as the facility was closed for operations for a brief period. And I’m really glad to inform you that the entire team worked day and night and the factory has resumed normal operations since early July. We have made significant investments to bring the facility back on track in record time. And in fact, we’ve used the downtime to strategically

upgrade our infrastructure and processes to match the highest global standards. In this quarter also, we've submitted a new VMF filing and currently we have a total of 25 US VMF filings and 11 CEP approvals along with a robust near term pipeline. Our other strategic manufacturing facility for API's at Mahad has received the ISO certification for 14001 which is for environment and 45001 which is for health and safety, which is further validation of our team's efforts to maintain the highest standard on the EHS front.

Coming specifically to our formulations business, we had a healthy double digit revenue growth in constant currency terms. In fact, all the markets in constant currency terms did very well. And while the volatility in the exchange rate has had an impact, our in market share positions have grown much stronger. Our LATAM business, led by Brazil has really gained strength and we have completed the integration of our recent acquisition of Nourrie, which gives a strategic entry platform in the companion animal segment in Brazil, which is amongst the fastest growing segments, and Brazil is also the fourth largest companion animal market globally.

Of course, the hyper inflationary pressure in Turkey remains a challenge and the detailed impact of that on our financial results has been laid out to you in our quarterly results presentation. Our formulations business in India has also maintained a growth momentum and we are very confident of the opportunity that the India market presents. So, overall while the start of the year has been impacted by one off, we remain very confident and we are on track to achieving our strategic objectives. I will now hand over the call to our CFO Mr. P V Raghavendra Rao to give us an update on the financial performance.

P V Raghavendra Rao:

Thanks Raja. And a very good morning to everyone. I am happy to address this forum for the first time in my capacity as a CFO. I'm excited to be part of SeQuent journey and look forward to begin this company as a major global animal health company with the team here.

I will now briefly update you on the key metrics for Q1 FY23:

Our total revenue for Q1 stands at Rs.3.4 billion, which is up by 12.8% Y-o-Y in constant currency terms. On a reported basis, the growth is 6.5%. The major driving force of the growth has been recorded from our formulations business, with a strong 19.5% Y-o-Y constant currency growth. However, on reported basis, formulations business grew at 7.9%. The LATAM region continued its growth momentum delivering 17.3% growth. Even in the face of market challenges, our India business has grown by 4.7%. The contribution from the formulation business stands at Rs.2.4 billion. As mentioned by Raja earlier, we witnessed a fire incident at our Vizag facility in the May month. Consequently, our API business was affected and operations were hampered for a few days, registering lower than expected revenues of Rs.888 million for API, which is down by about 5.9%.

The input costs for both API's and formulations have stabilized to some extent, albeit at a higher levels, and also, for some specific operating expenses like utilities and logistics. However, the inflationary pressures continue to sustain owing to the elevated price levels. Travel related costs

have climbed back to pre COVID levels with the easing of travel restrictions and increased vaccination coverage of citizens in most geographies that our businesses operate in. EBITDA, excluding the ESOP cost stood at Rs.201 million while the reported EBITDA came in at Rs.110 million after considering the non-cash ESOP cost of Rs.91 million. Margins continue to be affected by macro factors like inflation in a key input material disruptions in supply chain, food and logistic cost under stress.

I would now like to address the situation in Turkey:

Due to continuing inflation in Turkey, which has exceeded 100% over the last three years on a cumulative basis, accounting under IndAS 29 on Hyperinflationary Economics has got triggered. Accordingly, the financial statements of subsidiaries in Turkey have been prepared in accordance with our IndAS 29 which has impacted the consolidated PAT by about INR (-)9.5 million.

On the balance sheet side, we have witnessed a slight increase in the working capital from Q4 FY22 as we built strategic stocks for some of our key products in line with our business plans. Increase in net debt is on account of Nourrie acquisition and reduction of investments is owing to MTM of treasury shares.

I would like to conclude my remarks by stating that this quarter has been challenging due to the incident at Vizag, loss reported separately as exceptional item and also extreme currency volatility. The team is extremely focused on execution on both business and cost fronts.

Thank you, and we can now open up the floor for Q&A. Thank you very much.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes on the line of Vishal Manchanda from Systematix. Please go ahead.

Vishal Manchanda: With respect to the API business, so the current quarter was impacted by the fire incident, but do we expect to make up for it in the subsequent quarters. So, is the rate going to be higher than and will meet the annual target that we would have set for the API business?

Rajaram Narayanan: Thanks, Vishal. Yes, as we have said earlier also, it did impact this quarter. But we expect to recover that over the next three quarters within the financial year itself. So, it will spill over into the next three quarters, and we will be recovering it. Fortunately for us, the demand continues, the customers are there with us. And we've been able to recover the plant quickly. So, we should be able to cover it up in the next three quarters.

Vishal Manchanda: Okay. And second on the CDMO opportunity, has that come into the numbers or that's yet to start coming into the number?

Rajaram Narayanan: So, that is something we've spoken about earlier, that CDMO piece will be a bit more back ended towards FY23 and we'll get a full realization more in FY24. So, that continues to remain as per as our plan.

Vishal Manchanda: And do you expect to add more molecules during the year to the CDMO business on the API front?

Rajaram Narayanan: Certainly, but I'll invite my colleague Sharat to speak a bit about that.

Sharat Narasapur: So, as we speak, we have already added a molecule, though it is not of that great size and we are continuing our discussions with the customers. So, we hope to add a couple of molecules by end of this year on CDMO.

Vishal Manchanda: And with respect to the capacities on the API front, we have adequate capacities for the next two years. Would that be fair to say?

Sharat Narasapur: Yes, we do have adequate capacity. And we also undertake continues debottlenecking and increasing the capacity by improving the efficiency. So, that's an ongoing exercise.

Vishal Manchanda: Okay. And just on the gross margin. So, is there a way we can bring that back to the same old levels or this would kind of be around the current levels around 42%?

Rajaram Narayanan: So, certainly, as we've given a guidance before, we have clearly to reach back to better margins than where we are today. It will take us some more time. But very clearly we are looking at improving the margins as the outside situation improves but also importantly we have initiatives and projects in the company, which are designed to improve our margins, margins are a function both of the mix that we have as well also the prices and the cost and all three areas, we have initiatives in place.

Moderator: Thank you. Next question comes from the line of Ashish from IIFL AMC. Please go ahead.

Ashish: So, I believe Turkey is the most important market for us. And even in terms of profitability it's one of the best place / segments for us. So, what's your view as far as our business in Turkey is concerned, do you think there could be some more write-offs and what is the behavior, how the distributors are behaving, any more color on this market would be helpful?

Rajaram Narayanan: Thank you Ashish for asking this question. Turkey is one of our important markets. It's a market where we have a strong business in terms of both market share as well as the portfolio which we cover. And on the demand side, we continue to see strong demand for our products and as well as our competitive position is just getting stronger over there. Having said that, there has been a particular situation in Turkey in recent times where the currency has impacted the businesses. So, we are taking all the necessary steps there in order to de-risk our business over there. More specifically, looking at more exports out of Turkey and looking at instruments which are required

to manage the currency risk as well as also look at the management of working capital over there in terms of distributors credit in terms of supply, credit, etcetera. So, there are a whole set of measures, but there is still a substantial amount of uncertainty around the currency and volatility over there. And some of it is reflected into a very specific case of accounting this year. And therefore, we will be watching it carefully along with all the initiatives, but we are also going to be very disciplined in the way in which we are going to invest and grow in the market. So, we certainly are not going to be reckless with our growth ambitions over there. So, we have a strong position, but we will wait for some more stability over there before we commit more. Does that answer your question, Ashish.

Moderator: The line of Ashish has been disconnected. So, we will take the next participant. The next question comes from the line of Aditya Khemka from InCred Asset Management. Please go ahead.

Aditya Khemka: So, firstly, if you give us a sense of where we stand on the ability to pass on price to consumers in terms of the cost inflation that we are facing, in the last concall we were discussing with you about the split of your formulations revenue into the branded generic and unbranded generics. Any thoughts, updates on that would be very helpful.

Rajaram Narayanan: Okay, so there are two parts to our prices. One is on the API side and the other one is on the formulations. When it comes to API Aditya, between 65% to 70%, of our business is actually in regulated markets, and they are with large sort of multinational customers. And over there, we have long term contracts. And as and when the contracts complete the period, we renegotiate our prices and that would be something that we would be passing on. So, there is an ability clearly to pass on. Of course, there is always the 30% odd, which is the spot business is API, which sometimes gets competitive depending on where we are. But for us, fortunately, on the API side a large part of it is the regulated markets. Coming on to the formulations part of the business. We have in most of our markets now substantially strong branded product business. And therefore, over there, we've been able to pass on price increases, of course like for example in Turkey we've been able to pass on a lot of price increases, but the currency situation does not help us, but we continuously do that. In Brazil again, we've been able to systematically pass on the price increases. But wherever our customers on the other side are large central buying agencies even for branded generics, it takes a little longer sometimes to pass on the price increases. But we are seeing that in all markets, there is now slowly an ability to pass price increases. And we're doing it very systematically, obviously one portfolio product at a time. But now with the inventory levels getting more stable across in markets, we should be able to systematically pass on price increases.

Aditya Khemka: Just a follow up on that, I just cannot understand that while we face inflation across our products at the same time, why is it that we want to pass on the pressure to the clients in a systematic, slow, phased manner. Specifically, that could have been the case had there been a lot of competition and the competitors weren't passing on and we were scared of losing market share in the sense that our product would become dearer versus the competitor. So, that to me is the

only reason why we would do it in a more phased and systematic manner other than contractual obligations, which I understand in the API space maybe there are. So, can you talk a little bit more about why we are choosing to go through a phased, systematic route and not an immediate price hike because our input costs have gone up immediately?

Rajaram Narayanan: It's a good question. So, there are two components in certain markets where you don't have a very high inventory you can pass on the price hikes really fast, but in many of these markets, distributors tend to hold significantly higher amount of inventory and over there it takes more time to pass on some of the prices. So, it's more about really on the cycle with which the inventories are managed and your ability to pass it on then. So, that's largely and again, it's a lot of markets like, particularly in countries like Brazil, etc., there are a lot of contractual purchases, which happened from large firms who purchase some of our medicines and over there as the contracts expire, we renegotiate and we pass on.

Aditya Khemka: Understood. And on the API side is that you have long term contractual agreements to your purchases, two questions on this. So, are we to understand that while we enter into long term contracts, selling agreements, we don't enter into long term contractual buying agreements, because we are facing raw material inflation immediately, but we are expressing our inability to pass on immediately there. And secondly, what is the average tenure of the selling agreement that we have in these API business?

Rajaram Narayanan: So, it's not that we are bound by that, we do have interim price increases which are there and it again depends on the inventory level, which the customer is connected to, but I will ask Sharat to explain that a bit more to you.

Sharat Narasapur: Yes, while the contract may be a long term. So, while the contracts themselves are long term, but then there is an inbuilt provision of looking at the prices based on the market conditions. And that happens at a frequency of every year, or if the prices are going beyond a certain limit. So, I would say that there is always an opportunity. But there is a periodicity with which we can do it. And so the contracts have been entered recently. So, it does take some time, while the conversations are always on, particularly on the price side and everyone is aware of it.

Aditya Khemka: And Sharat if you can also address our procurement of raw material practice, like we are being considerate with our buyers and cognizant of the inventories that they're holding, why aren't our suppliers doing the same favor to us?

Sharat Narasapur: Yes, even on the procurement side, we do have contracts, so for the very newly produced products, and where there is a contracted quantity, we also go back and have the contracts and they are in place. So, that advantage we take. But then if you look at there is a certain percentage of contribution, 40:60. So, if you look at the commodities, solvents, and other things, the volatility has been really high. So, that's something which we'll have to deal with.

Aditya Khemka: Alright. And just one last question, can you let our formulation and API revenues into buckets where we have the ability to pass on immediately, or with a lag versus buckets where we won't have the ability to pass on at all, because the buyer is large, concentrated and essentially, there's a lot of competition, therefore we can't really pass on the price?

Rajaram Narayanan: I don't think we can sort of get into that degree of specifics. But, you should broadly look at it that our API business has about 65% to 70% regulated market and that's the piece which Sharat spoke to you about. And, that's pretty much should help you make some conclusions on that. But beyond that, I don't think I can sort of split the numbers further. We can definitely have a separate chat in our office, or some time we can catch up. And we can take you through in more details.

Moderator: Thank you. Next question comes from the line of Vikash SQ. Please go ahead.

Vikash SQ: It's in specific to the fire incident that happened in Vizag could you please specify what could be the top line and bottom line impact in terms of absolute terms and in terms of EBITDA percentage, because of this incident that could have contributed to lower numbers?

Rajaram Narayanan: So, look, we've said, one is that we expect there to be no impact on it as far as the full year is concerned. And therefore, that should pretty much tell us that we don't expect an impact either on the top line or on the planned EBITDA over the course of the year. More specifically on the quarter, we are expecting about INR 14 to 15 crores would have been the kind of top line that would spill over into the other three quarters. But over the course of the year, we don't see any impact on that. In fact, we started covering some of it already in this quarter itself.

Moderator: Thank you. The next question comes from the line of Ashish from IIFL AMC. Please go ahead.

Ashish: Any more color on Nourrie acquisition, so is there an approach to cross sell and given that this is our first enter in companion markets, how do you see these things panning out and would the companion segment have a higher profitability versus the non-companion market?

Rajaram Narayanan: So, we are just completing the integration in the first quarter so, the integration has gone well, right now it is more additive. But as we go along, we think that this gives us a good entry into companion animals, and we'll be able to share more with you about the performance of it in some time. But more specifically, on companion animals, this is clearly an area of focus for us as well as the way direction in which the growth of the animal health industry is happening. And we, the Brazilian one is our first sort of entry into that area, are looking at, expanding our portfolio in some of the other countries where we are already there, more into pet animals, and we'll be able to talk to you more about it in some time as the businesses begin to ramp up. But right now, it is tracking on plan as far as the integration is concerned, and we should get some better results to share with you in maybe two or three quarters.

Ashish: Okay. So, by quarter four of this fiscal you expect the consolidation to happen right?

Rajaram Narayanan: The consolidation, integration has already happened for Nourrie. With the acquisition integrated, how we are able to leverage it and grow further - that is something which towards the end of this financial year, we should be able to share with you on how the performance is.

Ashish: Okay. So, lastly some point in time we were expecting around 15, 16 or to that extent even 18% EBITDA margins. So, given when construct and how the portfolio shapes up for us, would you be still pretty comfortable, guiding on that number two, three years down the line?

Rajaram Narayanan: Certainly, that is a reasonable sort of number to aim for. And that's something that we would be aiming for in the timeframe which you have indicated.

Ashish: Okay, great sir. Sir lastly on this albendazole so how the price is now and is the market back to normal now because we had seen sort of a spike in between - any color on this would be helpful?

Rajaram Narayanan: So, I'll give you an opening thing first of all, our WHO supplies which were there - that part of the market has come back and our customers are still taking our product and so, that part of it is more or less stabilized. Then the rest of the market which is really the use of albendazole in for animal health. We are seeing a demand which is more or less stable, it is competitive however in terms of pricing on that part of the segment.

Moderator: Thank you. Next question comes from the line of Harish Hinduja from SBS Securities. Please go ahead.

Harish Hinduja: Just one point, all this raw material price increase, currency issue, everything there is a time lag in passing on the price increase, etcetera. Can you just tell me when will be your first normal quarter in this year?

Rajaram Narayanan: It's quite a right question to ask, especially in this quarter.

Harish Hinduja: Yes, because in last three quarters the company has been from somewhere to nowhere. So, can you just explain to me because we can understand for a quarter or so, but it's already been three quarters, that every quarter, the company comes out with some new issues. So, can you just tell me because all the companies are passing on, it's a routine, it's a currency issue, everyone has the same issues. But, we are taking much more time so can you just tell me when the first normal quarter, is it in this financial year, thank you.

Rajaram Narayanan: Let me just firstly react to that, it's a fairly incorrect conclusion that, the company has had this issue for the last three quarters. If at all, the very fact that we are a diversified company has helped us manage when we've had one odd part of the business, impacted by currency, we've had an API growth which has been of very high order. There have been times when that part of the business has had a pressure, we've had good growth coming in from some of the other parts of the business. So, I'm quite surprised that you're concluding this, it is true that every quarter

we transparently will share what might be some extraordinary events. But that should not be considered to be something which reflects the performance.

Harish Hinduja: Maybe I am wrong, so when will we have normal quarter?

Rajaram Narayanan: I wouldn't say that it would be wrong, because there is no such thing as a normal quarter in a business, every quarter will have surprises. Yes, this particular quarter for us, we have had an extraordinary impact of fire, so there are two incidents which are over here. One is the currency impact, which has happened because in a specific market, accounting standards require us to trigger classifying it for hyperinflation. That's what has happened and of course, there have been an incident of fire. But the fact that you will have raw material increases, decreases passing on pricing that's in the normal course of business which will happen. And you'd have seen across - all companies will have this issue. And we are able to pass on the prices where required, and we are able to do so. You have to look also in the context of our top line, that we are growing our formulations business almost 19% in constant currency within the markets. We are growing our API businesses, but for the fire incident, if you look at year-on-year, we would have grown this business closer to about between 10% and 14%. And you should look at our business on an annual basis, on a year-on-year business, because it's the best way perhaps to look at how we are performing. Yes, the EBITDA margins have been under pressure, like it's been for many companies in this industry, but because of our portfolio, we continue to maintain that we will come back in the second half of the year, closer to the guidance that we've been historically giving. Directionally we will be there, so I would be quite surprised if you are concluding that we've had four quarters of uncertain performance, that's not true at all.

Moderator: Thank you. Next question comes from the line of Jagvir Singh from Shade Capital. Please go ahead now.

Jagvir Singh: Good Morning Sir. My question is regarding to the EBITDA margins and the profitability in the last three, four years company never give the respected EBITDA margins or profitability we have, as the last caller asked the question we have some other issue every time, Turkey issue. So, we have any guidance for the FY23 or FY24 what are the reasonable EBITDA margins or the profitability?

Rajaram Narayanan: Thank you for asking this question, it will help me clarify again. Our general guidance as we've been indicating is that look, we want to improve our EBITDA margin between 100 and 150 basis points every year. And that, we would like to grow the company in the mid-teens. Now, that's the broad sort of direction we have given, there has been a bit of rebasing because of a series of things which have happened internationally, whether it was COVID whether it was other incidents which have impacted everybody. And therefore, while we may have delayed the timeframe, we continue to maintain that we will grow our business in EBITDA terms between 100 to 150 basis points every year, and that we will grow our top line, in early teens or mid-teens, so that remains and I can sort of say that that's not something that's going to change. Now, coming more specifically on what's the nature of our business, you see we have two types of

businesses. One is the API business which is one which we are building with increasing our base of regulated market customers. And that's sort of trending in that direction.

The second is our formulations business, which often requires us, even if we make a good gross margin, to invest in the long term, and some of those costs keep coming in as we begin to expand our markets. So, as we enter new markets, even if the margin is good, in terms of gross margin, we invest on the field, we invest in promotion, and that part of it is an investment which we are making and therefore the formulations business, depending on the growth of it will begin to pay off with sometimes often the mix that is there, but I think you should look at the overall direction of the organization, which is to give anywhere between mid-teen kind of growth and 100% to 150% basis points of EBITDA, and incremental every year. And we expect that as we sort of end this year, we will be far closer to the kind of levels that we indicated earlier.

Jagvir Singh: So, sir any guidance for the FY23 or FY24 on the profitability front. I'm talking about affecting all the other incomes and all these things with currency losses and?

Rajaram Narayanan: Certainly, as I said before this quarter is a one off quarter, so if you keep this quarter off, then the next three quarters we should continue to see closer to double digit numbers, and both on the top line and the bottom line.

Jagvir Singh: Because sir I'm talking about another company, this is not very close, this is very close to business of our company. This is NGL Fine Chem and they are also exporting 23, 25 countries. So, this company has very similar problems, but even then they are doing some respectable EBITDA margin and profitability. We have lost some EBITDA margin in last two, three quarters, but not like the SeQuent.

Rajaram Narayanan: So, I won't comment specifically on other companies, except that you should know that we have two businesses – an API business and formulations business. The API businesses is about 1/3 of our portfolio and I can confidently say that API business is as competitive on a standalone basis as any other similar business.

Jagvir Singh: Because this company is, this is earlier owned by Arun Gupta and all the company's owned by Arun Gupta have some kind of problems like Solara, Strides now this is owned by Carlyle but we have seen in all three companies we have similar kind of problems, there is no profitability in last three, four years. There is one quarter good, four, five quarters bad so we were expecting some good numbers in SeQuent when it got took over by Carlyle. So, here also the same problem.

Rajaram Narayanan: So, I can't comment on any other connections that you have on this particular company, but, we are a standalone publicly listed company and our own standalone performance is what we should be talking about. And, I can say once more that our strategy is on course, we are fairly confident that the remainder part of the year we will recover whatever we lost in the API, fire incidents,

and we will be topping the year closer to the guidelines that we generally have given in the market. And what you have been expecting from us.

Moderator: Thank you. Next question comes from the line of Prashant M an Individual Investor. Please go ahead.

Prashant M: So, this is regarding the Turkey hyper inflationary scenario, and we know that it's not a new situation which like past maybe 10, 15 years that problem is still there. And it is going to be there, so in that context like what is the strategy of our company to handle it in future. This is an exceptional item, which I understand which is shown in the expenses. But what is the probability that it will not occur again in future. Thank you.

Rajaram Narayanan: So, first maybe on this specific and I'm glad you raised it, that it's an exceptional rather our CFO will speak to you about and then I can give you some direction on how we are handling Turkey.

P V Raghavendra Rao: Yes, so Prashant, the impact of the quarter is about 9.5 million on the overall PAT. So, that's for this quarter and this gets basically triggered because of IndAS 29 as I mentioned, when the cumulative inflation for the last three years, crosses 100%. So, there will be some impact on account of these accounting standard in the coming future and the coming quarters, and then it depends upon how the inflation moves in Turkey. So, kindly note that the impact in my opinion, depending on the various factors, to be in this range or lower than this.

Moderator: Thank you. Next question comes from the line of Aditya Vanjan Patnaik from Amba Holding Advisors Private Limited. Please go ahead.

Aditya Vanjan Patnaik: Good morning. Please put some color on your market share about the API or the formulation business, whether any growth or expected for any guidelines for next quarters. And another second question on that, how the capacity utilization you have done this quarter versus last quarter?

Rajaram Narayanan: Okay, so I'll answer the first one. And then I'll request my colleague Sharat to answer on capacity utilization. Firstly, this market overall in animal health, generally growing between 2% to 5% and in some specific segments of the market like companion animals, etc., it grows a little faster between 5% to 7%, so that the overall sort of market growth. In our plan, it is really to grow more in the early to mid-teens kind of growth is what our ambition is. So, that should tell you that we definitely want to grow faster than the market in terms of our total company performance, both in the formulations side as well as on the API side. So, that's as far as the growth plans are concerned, it is of course distributed between the markets depending on if it's a mature market, like some parts of Europe or it's a more fast growing market like Brazil or India. And maybe Sharat you can talk on capacity utilization.

Sharat Narasapur: Yes. Capacity utilization, it hovers somewhere between 68% to 75% and keeps varying during the year based on what products we run, each campaign we run and which part of the year.

Moderator: Thank you. The next question comes from the line of Shashi Ranjan, an Individual Investor. Please go ahead.

Shashi Ranjan: I have two questions, one question goes straight to Sharat and the second one will be for you sir. And the first question is to Sharat, what are the molecules you are looking at very eagerly out of the 25 filings that you have done, which can improve upon the valuation of the company.

Sharat Narasapur: Out of the 25 molecules which we have filed, and there are quite a few established generics, old generics. Wherein, really we are building long term contracts, as we spoke about the multinationals which will drive the growth for those old generic molecules. But if you look at the forthcoming, they're all new age molecules, some of them which are under patent. And that gives us an opportunity to go and tie up with multinationals and convert them even into a CDMO. So, that's the kind of area which we are looking at. That should be it.

Shashi Ranjan: Now the question is, Which are the one or two of the acquisitions that are going to help SeQuent improve its top line and bottom line?

Rajaram Narayanan: I couldn't sort of make out very clearly, but if your question is that which of our acquisitions in the recent times is going to help us improve our top line and bottom line, the answer is all of them have been directed to, was that your question which of our recent acquisitions will help us in top line and bottom line?

Shashi Ranjan: Correct.

Rajaram Narayanan: Okay. So, all the acquisitions that we have made are at this point of time contributing to our top line and bottom line, we have a specific currency related issue in Turkey, but that's purely from a currency point of view. But the business on a constant currency basis is in fact growing very well it is also very profitable, that's on Turkey. On Brazil, of course, we are growing substantially ahead of the market and in double digits. Our Spain acquisition is the one where, we are using as a beachhead for other European countries. And that's the place where we are also seeing growth coming both in top line and bottom. So, in summary, I would say that all our acquisitions are meant for this, so one we are right now completing is Nourie one which has just got completed this quarter. And that's the one which will come in accretive as we go during the rest of the year.

Moderator: Thank you. Next question comes from the line of Tanuj Mehta, an Individual Investor. Please go ahead.

Tanuj Mehta: Sir firstly, I wanted to understand for our API business we had the fire incident, keeping in mind that if this wouldn't have happened, how would the API business, look like into the financials that is the first one. The second question is that, there have been the last few quarters where we've seen lackluster financials. So, can we see that, we are nearing our bad phase or maybe going ahead, our financials will improve on a sequential basis, can you throw some light on that?

- Rajaram Narayanan:** So, on the first part, what the impact of the fire as I have said, it's somewhere around 14 odd crores is the kind of sales that was impacted for us, which, as I repeat, it's something that will get covered up during the year and therefore we will have no material effect at far as the year is concerned on the API side of it related to the fire incident. On the second part of it on, your impression on the performance, we've explained in the last few quarters that there has been some pressure which has come in and directionally that took us to a lower level than what we saw, perhaps a year ago and we are fairly confident that the measures which we have put in as well as the demand which is coming in from our customers, we should be moving northwards as far as the rest of the year is concerned. So, to that extent, this should be the lower end of it.
- Moderator:** Thank you. The next question comes from the line of Varun Pinto from Value Educator. Please go ahead.
- Varun Pinto:** Sir, my first question is that, in Europe, Europe is seeing energy crisis right now and there are talks that companies in Europe will have to probably take a production cut. So, is that a risk that we see over the next few quarters?
- Rajaram Narayanan:** No, we do not see. So, it is true that there is a lot of pressure, which is coming in terms of cost of utilities, et cetera., in these countries on account of the thing that is an issue on utility, there is some pressure coming in a couple of markets in terms of regions. But as far as our portfolio is concerned, we don't see any impact on the demand side of it. So, to that extent, we see no reason to scale back anything in production, of course there will be calibration, which has to be done in terms of pricing, in terms of our cost structures, et cetera. But nothing on the demand side which would require us to scale back on anything in production, like you're hearing now.
- Varun Pinto:** And sir like our Turkey subsidiary, what kind of dependency do we have on like, China for raw materials, like is the raw material for Turkey mostly coming from China?
- Rajaram Narayanan:** So, generally on an overall basis, I would say of our companies which are there in Turkey, in Spain, and in Brazil, do import a substantial part of their API requirements from China, but nothing which is impacting us right now, in terms of availability and stability, because we're covered reasonably well for this.
- Varun Pinto:** The imports are dollar denominated, right?
- Rajaram Narayanan:** Yes, the imports are dollar denominated and that tends to be therefore the specific issue only for Turkey. It is not the issue that we have for Brazil, or for Europe because you have the selling price, which is often calibrated to the exchange rate. So, we don't have an issue.
- Moderator:** Thank you. As there are no further questions, that was the last question. We have reached the end of question answer session, I would now like to hand the conference over to the management for closing comments.

Rajaram Narayanan: Okay. Thank you very much for everyone for attending this and for your questions. And we hope we've been able to answer most of them. And as Abhishek said, if there is anything that you want to get more details of, you can write to us at our Investor Relations. I just want to reiterate a couple of points that, this has been a very specific quarter where we've had a couple of one-offs, which have made it challenging, but there is inherently, we are in a good position as far as demand for our products are concerned in the markets as well as from our customers. And therefore we are convinced that, going ahead with good execution, as well as with all the capabilities that we are investing in, we should continue to get good growth for the rest of the year under the current circumstances. And we thank all of you for your continued support, and we can now close the call. Thank you very much.

Moderator: Thank you. On behalf of SeQuent Scientific Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines.