

What is Lasa Supergenerics – comment on your business please.

Lasa Supergenerics was acquired by OSCL in 2012.

Lasa produces Vet APIs which is used in Dairy, Poultry and also in Cattle feed production.

Lasa's customer base and regulatory requirement as also the functioning of the company is totally different from OSCL, hence it was decided to demerge the business and unlock the valuation.

How big is the Vet API (industry) business, Who are the customers and what is the topline ?

We are in this business for 5 years, we are small players. The global industry (business) is 4500 – 5000 cr – that is just the Vet API (not including formulations – Formulations is different business altogether, much bigger, we are not in it). We supply to the companies making formulations. So the business is huge, clients are spread all over the world including big names –Zoetis, Glaxo, Novartis, Merck to name a few to whom we supply. Other than this – there is Dairy industry which buys directly from us – like Indian Dairy, Karnataka Dairy, Amul etc., for improving the milk output and for De-worming. This is also used for human products (de-worming) during various health campaign. So BASICALLY, we make DE-WORMING medicines.

What is the share of India in the Global Business, What is the Revenue and what is your topline?.

As of FY 17, our top line was Rs200 Cr. I can't say how much is the Indian share of global business, but Indian market is worth around Rs 800 Cr.



Your business had gone up from 136 Cr in FY 16 to 200 Cr in FY 17 a huge jump of 47 %. Is this huge jump a result of small base or is it an industry phenomenon of high growth opportunities?

Yes, the jump you see now is due to a small base, after a certain level of growth, the growth rate will start decelerating. Till 500cr, I am aspiring (and confident) to grow at 22-25 % growth rate.

Whenever there is a question of pharma, the buzzword of USFDA props up. Are you also affected by USFDA?

No, we got nothing to do with USFDA. Infact US is never our market. Our market is Latin America, Brazil etc.

Do you need regulatory approval from these countries?

Yes, these countries also need approvals from their own regulators for doing business there, but they are not as stringent as USFDA.

Having said that, these days there is EDQM which is very important, CGMP Practices are widely prevalent and we got to follow all these. US is not a market for us.

Why is US not a market? Everyone wants to do business with US being a big market.

US is not big for us. The Vet business is mainly in developing countries – that too in LA etc. There is good demand in Australia.

So not much issues of regulators and re-inspection etc?.

No, there is requirement of re-inspection and one must always be on their toes. However, we are in line with norms of re-inspection. I should not comment on USFDA, as I have no prior experience with it

Now, coming back to Lasa, how is your balance sheet, how was the division of debt between Lasa and OSCL made, what is your D/E ratio?

Our (Lasa's) total debt (WC and LT) is ~ 70 Cr. LT is 35 Cr, the remainder is for WC. During demerger, sizeable Fixed assets were assigned to Lasa, and business remained with OSCL. So major share of WC debt remained with OSCL, and long term loans ECB, Term loans etc taken over by us (Lasa).

Today it is listed in NSE – how about BSE? Is it listed in BSE?

Yes, of course, listed in both exchanges.

At the current price what is the approx. M. Cap?

340 to 350 Cr.

What was the rationale for demerger? Unlocking the value of Vet business?

It was not only value unlocking, the customer base, regulatory requirement everything was different. So, it was imperative to separate the business thru demerger. And you can see today that the shareholders have benefited thru the exercise.

So you are Omkar, taking care of Lasa. Your dad Pravin Herleker takes care of OSCL?

Yes, exactly.

Is there any other reason other than value unlocking / different business? You got nothing to do with OSCL? You were previously holding a position in OSCL board.

No, I got nothing to do with OSCL now, though I used to be a board member in OSCL previously. My specialization is Vet API, so I had set my focus on Lasa business.

My dad's (Pravin Herleker) expertise is Specialty chemicals, now my brother is also there in that business. I have limited interest there with him. So, my dad is driving the specialty chemical business (OSCL)

What is the promoters holding in Lasa

40 %

How about other family members – your dad, brother etc – do they also hold promoter interest in Lasa?

No, just me – I am the promoter. The 40 % is just mine (not yet, but it will be – eventually).

Lasa has given 10 % stake to OSCL. Was it part of some deal?

Yes, that is correct, OSCL got 10 % stake in Lasa. Talking about deal, Lasa was born out of OSCL, this 10% was given to OSCL, so that it will also benefit from this demerger.

Are they gonna keep that stake?

They may, I don't know.

You had been selling the shares of OSCL in the past weeks – 2 trading of 1.25 lac shares each time.

Yes, that is correct. I had made disclosures on that as well. I don't want to keep any stake in OSCL I wanted to raise money for Lasa to foreclose the LT loans of Lasa. selling those shares.

Around 60 Cr?

Yes, I will finish off the loans in Lasa Supergenerics.

So you will put the money in the company itself (Lasa)?

Yes, already I have given the money and part of the loan is also repaid. I will make the announcement soon.

All these (selling shares) are part of the deal?

No, this is not part of the deal. Nothing in this line was decided, but I don't want to keep my stake in OSCL.

You had considerable stake in OSCL ~ 28 -29 % or so. You will have to sell considerable amount of shares if that is the case – who is buying them from you?

No I got no more stake in OSCL

But as per records you own 23.82 – from the shareholder statement from last quarter.

I am no longer selling anymore shares of OSCL. Whatever residual shares in my name will be exchanged with my dad (Pravin) as inter-se. My dad also owns Lasa shares. There won't be market selling of OSCL or Lasa among the promoter group. The respective shares will be transferred inter-se such that my stake in Lasa will be + 40 % and dad will have his stake in OSCL hiked based on the transfer.

With you infusing personal funds in Lasa, will there be a preferential allotment of shares to you?

No, I am not touching the capital structure of the company at this point, the ICD which I gave to the company are purely utilized to settle the long term loans of the company.

So, OSCL will be managed by your dad and Hrishikesh Herlekar, your brother?

Yes, perfectly right.

FY 17 EBDITA margin ~ 22.5 % - 22.7 to be precise. Do you expect the margins to sustain at this level going forward?

Yes, and the margins could be more.

How much more and what is the outlook?

May be up to 2.5% higher – up to 25 %. We will keep a product in business only if we can earn a margin of 22 %. Else we will discontinue that product.

FY 17, you hit a loss of 63 lacs due to exceptional item.

Yes, it was one time loss, due to book value adjustment of assets on transfer from OSCL.

Going forward Lasa will be a profitable entity?.

Yes, of course.

It made a profit 11.5 Cr in FY 16, what will be the FY 18 number?

My guidance is 22-25% Ebidta (***** no further comments from OMKAR, despite the interviewer persists in getting a top line guidance).

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What does analyst comments on Lasa on its listing day – lets watch.

Avinash Gorakshakar, *Joindre Capital* is asked what is the way forward – do I buy these shares - what is your call?

Analyst: Hold these shares if you are allotted these shares on demerger, as the agrovet companies are only a handful like Guj Agrovet etc.

Most important is that after the de-merger, the scalability of the business is higher if you take the next 2-3 years in consideration. Big opportunities in Vet products and the margins are higher. So I would suggest for those investors who got the shares allotment on demerger to hold on to the shares.

But for new investors – since Lasa now a standalone business entity, watch for its performance for a couple of quarters before committing.