



TML: CS: BSE/NSE CORR: 2022-23

21st November, 2022

Listing Department,
BSE Limited,
P. J. Towers, Dalal Street,
Mumbai-400001

Listing Department,
National Stock Exchange of India Ltd.
"Exchange Plaza",
Bandra – Kurla Complex,
Bandra – East, Mumbai- 400 051

BSE Scrip Code: 530199

NSE Scrip Code: THEMISMED

Dear Sir/Madam,

Subject: Transcript of the conference call held on 16th November, 2022.

Pursuant to Regulation 30 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our letter dated 7th November, 2022, intimating you about the earning conference call for Q2 & H1 FY23 with Analysts/Investors held on 16th November, 2022, please find attached herewith the transcript of the aforesaid conference call.

The above information is also available on the website of the Company at <https://www.themismedicare.com>

Thanking you,

Yours faithfully,

For **Themis Medicare Limited**.

Sangameshwar Iyer
Company Secretary & Compliance Officer

Encl: a/a

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**Themis Medicare Ltd
Earnings Conference Call
Nov 16, 2022**

Moderator: Good day, ladies and gentlemen, and welcome to the Q2 FY23 Earnings Conference Call of Themis Medicare Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Dr. Sachin Patel, Managing Director from Themis Medicare Limited. Thank you and over to you Sir.

Sachin Patel: Good afternoon everyone. I welcome you all to the median conference call of Themis Medicare. Since this is our first conference call, I would like to take you through our company in brief, for the sake of convenience, I will also refer to Themis as TML at times. We have on call with us Mr. Tushar Dalal, our Group CFO and Adfactors our Investor Relations team. Themis Medicare was established in 1969 in partnership with Gideon Richter Limited, Hungary, with the first preparation, ISO Pascal CD in tablet form, used in the treatment of tuberculosis. It became the second company in the world and 1st in India to produce vitamin B12 by non-sterile fermentation. TML has several first to launch in India production activity. Overtime, TML set up its

own manufacturing facility. Adding several new products to its past. The business model kept evolving and we developed several proprietary products and different therapeutic areas. We have also established the technical knowhow to develop new drug delivery systems. Over years, we've developed expertise in therapeutic areas like anesthesia, pain management, intensive care and a large part of critical care. We are amongst the top three players in the anesthesia segment with a complete range of portfolio. With a strong focus on research, we also developed an expertise to manufacture complex injectable and other complex generics.

Currently TML is engaged in manufacturing both finished dosage forms and API's. The company has three manufacturing units 1 located in Haridwar for finished dosage forms and one each in Hyderabad and Vapi both involved in manufacturing API. The Hardwar facility, which manufactures finished dosage forms, contributes about 65% of the total revenue with the presence across different dosage forms that is injectables, tablets and ointments, wherein the hospital business contributes about 41% of the total revenue. On the other hand, Vapi and Hyderabad facilities contribute to about 35% of the total revenues focusing on API. We already have a well-established API manufacturing capability, both in terms of infrastructure and know how.

Under the current scenario, almost the entire API production is exported. The company has strong in-house capabilities comprising of substantial team size and required expertise. We have been spending on R&D so that we can create a pipeline of products for the future. In terms of the business model, our primary focus is on hospital business. This is the most significant contributor to TML revenues and re-

mains a strategic focus area and therefore I would like to dwell a little deeper into this.

The hospital business comprises of three distinctive segments that is anesthesia and narcotics, institutions and intensive care, each of which is a part of the long term growth strategy of the company. We have developed a strong portfolio of anesthesia and narcotic products and are adding more products to this portfolio at the same time we aim to penetrate deeper by reaching out to more number of hospitals and nursing homes. For this we already have a strong leadership team in place and capable work force which is growing in size. Institutions are also an important target segment for us, and they comprise of ESICs, the state formularies. CGHS use another autonomous institutions. The third segment that the intensive Care segment is another very important part of the focus for us. We have already set in motion the plan to move at a fast pace to develop this segment. Under this, the West and South part of India will be fully operational by December'22 and we would expand our presence within this segment - the entire India after that. This would cover essentially the metros and Tier 1.

We see a lot of opportunities in the hospital business. This is a growing market with a strong presence that we have in anesthesia, Themis is already present there. Another advantage for Themis is its expertise in developing complex injectable and leadership in anesthesia will give the company a head start to penetrate this segment.

In terms of the exports of the company, 55% is to Europe, 13% is to Africa, 13% to Latin America, 10% to Southeast Asia, 8% to North America, and the balance to the rest of the geography. We plan to expand in new ROW markets in phase one where we see good margins and also enter into the regulated markets in phase two within 2-3

years. As our strategy shift is to focus more on hospitals we have passed a resolution in just gone by board meeting to demerge and transfer the API segment of the business, including both the API manufacturing facilities to 100% owned subsidiary of the company. This way it will enable us to strategically focus on both the API as well as the hospital business. We feel both these businesses hold tremendous potential to grow in the coming years.

As far as product launches are concern, we are very clear that we would clearly look out for first to launch products. We are already building the Complex Generic pipeline, we also have a strong NDDS pipeline and see product launches in this category too.

Now turning to our financial performance for the second quarter, we reported Rs. 91 crore in revenue during this quarter viz-a-viz Rs. 107 crores in the same period last year, our EBIDTA for the quarter stood at Rs. 21 crores against Rs. 23 crores last year. Our EBITDA margin was 23.45% up by 160 basis points. Our PAT during the quarter was Rs. 17.78 crores as against Rs. 19.28 crores last year and our PAT margin was 19.54% up 159 basis points. The EPS for the quarter was Rs. 19.33. For the half year we reported Rs. 185 crores in revenue, 15.67% year on year decline over the previous first half. This was mainly because H1 in the last year had one time COVID related exports spot order resulting in higher sales. This obviously could not be repeated this year. Our EBITA for the period stood at Rs. 41 crores as against Rs. 63 crores last year. The EBITDA margin was 22.49%. The decrease in EBITDA was mainly due to lower revenues. Our PAT for six months is Rs. 35.18 crores as against Rs. 50 crores last year. The PAT margin stands at 18.97%, the EPS for the period is Rs. 38.24. This is all from my side. I would like to now open the floor for questions and answers.

Moderator: Thank you very much Sir. We will now begin the question and answer session. We have the first question from the line of Saloni Hemnani from Molecule Ventures. Please go ahead.

Saloni Hemnani: Hi Sir, good afternoon. I just had a couple of questions in the announcement made by the company couple of days ago. So the first question being the transfer of business of API from Themis Medicare to Themis Lifestyle. So can you just give some rationale for the same?

Sachin Patel: The idea over here, as I mentioned during the introduction, was that we feel that the two focus areas that we are into one is the hospital business and the other one is the API business hold tremendous potential going ahead. While I say that the requirements for both these businesses to grow are very, very different as one would expect the API businesses requires significant CapEx to grow besides the product pipeline. The product pipeline is what we already have but in order to grow beyond the particular extent, we anticipate that in a year or two significant CapEx will be required over there, and it will be a very different business proposition from what we are doing with regards to our hospital business, which is more OpEx related and hence we felt that in order to make both these businesses grow up to their fullest potential, that this was the right call to take.

Saloni Hemnani: Sir on the accounting part is just a very technical question on the same, so I checked the balance sheet of Themis Lifestyle because the company's revenues, networth and balance sheet is very miniscule. So on the standalone books, how will you show the adjustment of this Rs. 125 crores coming from Themis lifestyle to Themis Medicare?

Sachin Patel: I'm going to hand over this particular question to Mr. Tushar Dalal who is our CFO

Tushar Dalal: So once we transfer the API business to wholly owned our subsidiary company, so initially the assets and liabilities will be transferred to them and whatever the difference that will be treated as a receivable from the subsidiary company. Against that we will have either the cash recovery or all the shares swap ratio will be there.

Saloni Hemnani: I'm not quite clear on this, I just wanted to understand how the cash because the books don't support.

Tushar Dalal: Then the holding company will have to support them for this particular activity.

Saloni Hemnani: Ok, got it and sir follow up on the question as it makes more sense to us or Themis Medicare, just repeating the same I know we have already withdrawn the acquisition of GTPL steak from BPG, but still wanted to understand the rationale behind the same. You could throw some color on the same.

Sachin Patel: Behind the rationale for withdrawing the resolution, or for having it in the first place.

Saloni Hemnani: For having it in the first place, why Themis Medicare was interested to acquire this stake by paying Rs. 70 crore in cash to PBG in the first place?

Sachin Patel: The Themis Medicare Ltd. already holds 24% equity in GTBL and the idea was to increase the shareholding in GTBL since GTBL is also performing reasonably well. But subsequently it was decided to withdraw this particular resolution to conserve cash at the level of TML so this is the reason for first of all having it in place and then having second thoughts on the same.

Moderator: Thank You. We have the next question from the line of Keshav Garg from Counter Cyclical PMS please go ahead.

Keshav Garg: Sir, I wanted to understand that even though our sales are down, our receivables are up 40%. So and actually are outstanding visible Rs. 141 crore is more than our quarterly sale of last quarter, so is it just a one off or is this in hospital business our main focus area is basically B2B areas, so can we expect this kind of receivable to stay elevated?

Sachin Patel: Sorry, I understood the second part of the question with regards to the debtors. I did not catch the first part of the question.

Keshav Garg: So the first part was that even though our sales are down, both for the quarter second as well As for H1, but our receivables are up by a huge 41% Y-o-Y so why is this?

Sachin Patel: So this is a one off scenario. This is not something that we perpetually expect to continue. The reason is that there were some delayed payments in terms of our exports that we had done. The hospital business in India is very efficient in terms of payments. So this was a one off thing. We are expecting the receivables to be cleared off in the current quarter.

Keshav Garg: And sir normally what kind of credit period do we extend to our hospital customers?

Sachin Patel: We work on a period of about 30 days, but then we have some credit that we also give to our distributors. So all in all, including everything the cycle comes to about 75 days.

Keshav Garg: And sir also in our 65% of formulation business you mentioned in your opening remarks that almost all the EPA production is exported, whereas I was under the impression that we are backward integrated

into API. So can you just clarify which of the two is the correct statement?

Sachin Patel: Both, so when you record sales all of it is exported. Whatever we are producing to apply to our finished dosage form business is not recovered by sales. It is recorded as transfers.

Keshav Garg: Sir, but we are self-sufficient for our own captive requirement of API

Sachin Patel: Not all of them. We are self-sufficient for the ones that we feel are critical typically for a hospital business you need a very wide portfolio of products so it is not possible to produce all of them, but the ones that are strategically important, those APIs we would produce.

Keshav Garg: Also what is the reason for focusing on B2B hospital business which is there, I mean the hospital will call the shots and they will squeeze us both in terms of margins as well as credit of working capital. So where as the B2B market is far more profitable segment. So what is the reason why we have chosen to follow this B2B model on the formulations side?

Sachin Patel: There are two reasons why we decided to focus on this. One reason is that. If you look at the overall scenario, in India, the number of people who have health insurance is increasing day by day. Now this means that access to medicine access to hospitals increases tremendously for the massive population that we have and with this mindset it is also very clear that the number of hospitals are increasing rapidly all across the country. Now when we talk about hospitals, we don't just talk about hospitals, we talk about corporate hospital, then we also talk about nursing homes. They also form a part of the hospital. Anything that has more than 10 beds is a hospital from our business perspective. So we see tremendous increase in this particular business going ahead with another data point that we correlate with and that

is more and more people are getting health insurance. And secondly, when it comes to margins, I think we are at least so far doing reasonably ok, because if you look at our overall cost of goods, we are between 30% to 35% now that is not to say that we can continue this forever, but I believe that our strategy is such that we should be able to put we should still be able to maintain reasonable margins going ahead.

Keshav Garg: And also in the investor presentation it is mentioned that the aspiration is to grow at a CAGR of 35% CAGR with 25% of OPM. So how realistic is this aspiration? And from the manufacturing side, are we geared up for this?

Sachin Patel: Well, our aspiration is what we have put onto the presentation. I believe that our base is still low. I think over the next four to five years we can. I think it's reasonable to have this particular aspiration so let's see how things progress. I don't see any constraints from manufacturing angle, because our entire focus is domestic hospital business and for that we have the capacity. We have spare capacities, but more so there is a lot of capacity free capacity which is available in the country, including products that we can buy from other companies. With the distribution and marketing that and sell through the distribution and marketing network that we have created so I don't see manufacturing as a limitation for growth by any means.

Keshav Garg: And are we totally absent from B2C segment formulation?

Sachin Patel: No, we do have a B2C presence also it is definitely there we are going to remain over there, but we believe that the growth for us is going to come from the hospital segment.

Keshav Garg: And also there was a loss making a joint venture company - Long Island nutrition, which it was mentioned in the last AGM that we are

trying to exit this. So what was the loss during the second quarter? And how near are we to exit this Long Island venture?

Sachin Patel: There was no loss in the last quarter. We have already closed down the company.

Moderator: Thank you. We have the next question from the line of Prerit Choudhary from Green Portfolio. Please go ahead.

Prerit Choudhary: The first question I had was what is this new CapEx that we are doing so in H1 the capital work in progress has grown for the company. So what are we investing in currently?

Sachin Patel: So the CapEx is divided into the following areas. Let me just get the exact numbers. First and foremost, we are investing into R&D equipment but I can give you the exact date update. So the areas that we have invested in is one is EU GMP compliance of our injectable block. So the facility that we have in Haridwar, the finished dosage form facility as these sections as I mentioned in the introduction. The tablet form area, the topical area and the injection area. Now the tablet and topical have EU GMP but the injectable side does not have EU GMP. So we have upgraded our facility to comply with the EU GMP standards and during the course of the next calendar year we expect that we will have audits from the European authorities which will give us access to many other markets for our injectable formulations. The second part is we put up a line to manufacture a lipid based products which we did not have. So again this is a part of our endeavor to be able to produce complex generics for the Indian market and even other markets that we are planning to go through. To support all this we needed R&D equipment so that is where we have invested. We've also invested in further machinery for our tablet block in Haridwar as for some revised EU GMP guidelines which are there. We have put up

an additional line for prefilled syringes. We did not have this in our premises. We needed this because again these are these are the things which are required to make your presence felt up in the hospitals and nursing homes and to add to that we have put in equipment in the R&D in both our API facilities worth about Rs. 5 crores. So this is the summary of the CapEx which has been done in the period that you mentioned.

Prerit Choudhary: Also in the annual report what I saw was there was some suspended CapEx that we had. So I mean they have been for more than three years in our balance sheet. So what we are planning to do with this, would they get expensed out in the future? Or what would happen?

Sachin Patel: So we had a facility or we have another facility, not a facility but a land and coupled with that, some construction that has been done in Baroda, so we have a land over there and some initial construction was done over there to build a finished dosage form facility. But subsequently, this was a long time ago where we decided to move to Haridwar instead of Baroda because of multiple benefits that the government was providing at that time. So that is what is mentioned in the annual report, but we still are hopeful that in the next few years we should be able to reinstate the Baroda project on finished dosage form with other plans that are there going ahead.

Prerit Choudhary: OK, so my next question is from the company's website we had one product in the early pipeline that has completed all the clinical trials. So can you tell me a bit about what is this new product and what will be the market size for the product.

Sachin Patel: Sorry, which particular product are you referring to?

Prerit Choudhary: So there is TML-OTE-18-G the product code is this. It's mentioned in the company website that it has complete also clinical trials all the phases for the clinical trials.

Sachin Patel: I'm afraid I will have to come back to you on this one. I don't have immediate answer on this question.

Prerit Choudhary: OK, then my next question is we launched the Viralex medicine for COVID. But now as the situation is coming out, the COVID has actually subsided and multiple other COVID vaccines are seen falling in demand of their product. So I mean would it be profitable now this new medicine, or would be looking into other resales of these medicines now?

Sachin Patel: You're right on both accounts. The number of COVID cases are insignificant in the country at the moment, and secondly we are looking at other indications where this particular products can be used. We have received an approval from the regulator with regards to use of this particular product, in other viral indications as immunomodulator, essentially what that means is it improves the immunity of a person, when infected by any virus. So, we have just initiated our promotion on that indication.

Prerit Choudhary: OK, and also with our new partnership with NFL for their product NFL 101 so I mean, what would be the timeline for this product and when can we expect the launch of this product for commercial use?

Sachin Patel: I would say that it's a bit early days for us to be able to comment on the timelines because as we mentioned we have signed this agreement and we have filed the application with DCGI to allow us to do a phase three clinical trial in India on this, so we will have to wait for the authorities to first of all approve our protocol for the basic clinical trial and if they don't have any modifications to the protocol that we have

submitted, we can come back with timelines on that. But until that time it would be a bit premature to say how much time it would take because if we are considering that the clinical study will get over with this particular protocol in six months and the Expert Committee comes out and says that they need further data on this then that whole study could perhaps take another year so I would wait until we have a preliminary or first response from the DCGI, allowing us to do a clinical trial.

Prerit Choudhary: Ok and we would be selling this product only in the domestic market or we would be also connected to in the international market.

Sachin Patel: Our current contract states domestic market.

Prerit Choudhary: OK, so I mean you mentioned in H1 we had a one off due to COVID in the previous year H1 so can you guess the breakup of how much amount was it?

Sachin Patel: The total amount was coming between Rs 50 to 60 crores.

Moderator: Thank you. We have the next question from the line of Nayan Gala from Etica Wealth Private Limited. Please go ahead.

Nayan Gala: I was just going through some of your announcements here and I just came across this point that we are in the process of demerging our API business from TML into a wholly owned subsidiary Lifestyle Private Limited so what is the purpose behind this demerger? Is it that we have wanting to focus on formulation? If you can just explain beyond that.

Sachin Patel: I think I already explained this to a previous caller, but let me put this again. We see tremendous potential in both of these businesses -the hospital business that we are focusing on and the API business, but

both businesses have different requirements to grow to its fullest potential, while the hospital business is more of OpEx business, the API business is more of a CapEx business. So if we want to grow up in both these areas it requires a different mindset in both these places at the same time it requires different kind of funding in both these places. So with that in mind, we have done this particular thing and we hope that most of these businesses will grow to its potential in the coming years.

Nayan Gala: And Sir, in this process TML will receive around Rs. 125 odd crores in cash from Themis lifestyle.

Sachin Patel: Cash or shares

Nayan Gala: OK, and if it is in terms of cash then like TML has plans for CapEx.

Sachin Patel: Currently, as I just mentioned the TML business is going to be focused around hospitals, which is more of OpEx business than CapEx process.

Moderator: Thank you. We have the next follow question from the line of Keshav Garg from Counter Cyclical PMS. Please go ahead.

Keshav Garg: So since last year H1 we had COVID revenues which were not present this year, but coming to H2 I think last year H2 I'm assuming there must not have been much COVID revenue so this year also in H2 there should not be much YOY de growth is my understanding correct?

Sachin Patel: You're right, last year in H2 we had negligible COVID revenue.

Keshav Garg: So basically, this YOY de growth should get over with the Q2 and from Q3 can we expect to be back on the growth track?

Sachin Patel: I can tell you about the first question. The second question is again, you asking me whether what the sales data is going to look like in Q2,

Q3 and Q4. So that is what I'm refraining from answering, because that would be a speculator forward-looking statement. I'm telling you that COVID related business that happened last year happened predominantly in Q1 and Q2 and this year and this year in Q1 and Q2, we have not had COVID related business, obviously.

Keshav Garg:

Also Sir, if we see that for our last three years we had exceptional growth but before that from FY11 to FY21 our revenue was stagnant at around 250 crore. So what was the reason for this long decade of stagnancy? And what has changed that we have finally left that face behind and gone on to growth path?

Sachin Patel:

So during that decade, we had two significant setbacks. The first setback was on the API side, where almost about 80% of our API revenues were coming from one particular global customer they had issue with the regulator for which all our supplies got suspended. Not only that, all the products that they had, had to be taken back, so this was one significant setback which took us and at that time our API business it was more than a 55% to 60% of our overall revenues, so you can imagine the impact from an event like that would effect. And the second one was we had a new drug delivery system that we had licensed out to a multinational and for multiple reasons, so that was also a significant part of our business and profitability more importantly, it contributed almost about 80%-90%. You see through it with no other marketing expense. And we had to stop sales of it and we had to also withdraw the product from the market. So it was a double kind of an effect and that that took us some time to recover from. But I think from both those lessons that we learned we have tried to make sure that the business is as risk averse as it can be and spread out into multiple areas or multiple products at least are going ahead.

Keshav Garg: In page no. 12 of our presentation we have mentioned under new opportunities there is a table wherein we are saying that in Anesthesia intensive care we are presently there and there are five new division which in future we plan to enter and one of which is medical devices. So for all these mostly we will do outsourcing or we are planning to manufacture them in house.

Sachin Patel: It depends, out of all the divisions which I mentioned, it depends from division to division. So medical devices clearly we will be outsourcing, the pharmaceutical formulation divisions it will be a part outsourcing part internal manufacturing. Obviously we want to manufacture things in-house which are most complex and at the same time have a significance entry barrier because these two things at the same time give you the maximum GC, so the entire hospital business that we are targeting we are aiming for is going to be always a mix of in-house manufacturing and outsourcing. What we aim to do is to build up a robust and strong sales and marketing network in all the nursing homes and hospitals all over the country.

Keshav Garg: And if you could just tell us that, what exactly is this intensive care business?

Sachin Patel: Intensive care business is essentially products that are used by intensivists in intensive care units.

Keshav Garg: So how is it different like I mean, from the general pharmaceutical like is it, does it come under acute or does it come under chronic? Or I mean like so can you just give us some example of intensive care?

Sachin Patel: It comes under acute because when a patient is in intensive care in the ICU, these are the products that are given to them over there.

Moderator: Thank you. We have the next question from the line of Mandira S, an individual investor. As the current participant has left the queue, we move on to the next participant. The question is from the line of Aniket Redkar, an individual investor, please go ahead.

Aniket Redkar: As mentioned in the presentation that we're planning to launch the NDDS product every year. So which are the new this new product under development can you throw some light on it?

Sachin Patel: So they range from pain management products to areas of Vitamins to areas where we are trying to make ready to use injections from our current life lies formulations. So it's a wide array of projects that we are working on where we see that there is opportunity to do innovation to the current formulation and make it easier for the doctors to use.

Aniket Redkar: OK, so I just want to understand this API business as our promoter group company is also getting into the API business. And here we are demerging the same business. The API business to our Themis lifestyle. So, and we are focusing strategic focus is on our hospital business. So what are your views? How we are going to planning to take this further? I mean what is the strategy on the same?

Sachin Patel: Well, the API businesses last year if I'm not mistaken was about Rs 130 -135 crores. We feel that overall the scenario in India for API business is very bullish. The whole China plus one sentiments that is there is creating a lot of demand for the API then we feel that there is a lot of opportunity on hand, but at the same time this opportunity cannot be accessed unless we are in the process of making some serious investments in the API business and that is what we intend to do over the next few years. As someone asked, we have invested already in R&D and API, we have created laboratories, we have got people

we've got developed products. These products will have to go into manufacturing which is also in happening but to grow at a rapid pace we will need to invest heavily in the API business and that is also one of the reasons why we have this into 100% subsidiary, because the debt that will come in to that particular company for growth. So whatever means the funds that will come in my mistake debt is the incorrect word, the funds that will come in to that particular company will have various mechanisms to make sure that we can grow very rapidly over there.

Aniket Redkar: As our export is also contributing a lot from the API, it's 98%.

Sachin Patel: Absolutely

Aniket Redkar: And what is the R&D budget? Can I get the breakup of it? In terms of the API and the formulation.

Sachin Patel: I think we've spent about Rs. 13 crores is what we have spent in in the first half of this year, which is almost double of what we have done last year. We expect this trend to continue because at the end of the day we need to make sure that the future pipeline gets stronger and stronger.

Aniket Redkar: OK and what about the EBITDA margin for the hospital business and the API segment?

Sachin Patel: We are pretty much on the same line in both the areas.

Aniket Redkar: Can I get the rough number?

Sachin Patel: Close to 50%.

Moderator: Thank you. We have the next follow-up question from the line of Pre-rit Choudhary from Green Portfolio. Please go ahead.

Prerit Choudhary: I had some couple of more questions so in FY22 we incorporated a new subsidiary Carpo investments. So what business would this subsidiary would be used?

Sachin Patel: So this particular subsidiary have been set up in line with the European approval that we have received for the tablets in the tropical parts and also the ones that we are planning for the injectable facility. So this is a subsidiary that we hope will facilitate business when all the regulatory approvals are received for the European market with regards to our portfolio.

Prerit Choudhary: OK, and so some of our other subsidies like Artemis Biotech and Carpo Medical so they are not getting any revenues to the group. So I just wanted to understand what visuals are they engaged in and what is the future.

Sachin Patel: So our Artemis Biotech is actually a historical entity that we had because there was a merger that had happened in the past. There is no activity which is going on in that particular company and this is with regards to Artemis and Carpo is again a part of this European initiative that we hope will happen in the coming years.

Prerit Choudhary: OK, so just one more question. So for this Themis Lifestyle are we planning it to take it public in the future? Or maybe separate it from the group entity?

Sachin Patel: There are no clear cut plans which are made from that perspective. I think currently our focus is in terms of how to grow the business on the API front that is key thought process at the moment.

Moderator: Thank you we have the next question from the line of Rushabh Shah from RBSE Investment. Please go ahead.

Rushabh Shah: We mentioned that we are going forward a couple of years down the line we may invest significantly in our API business. So I just want to understand what is thought process, what kind of therapies are we targeting? What is the competitive scenario? What kind of return capital do we target? If you please, please have some thoughts.

Sachin Patel: We pass this resolution to this account which will still go to the shareholders and we have to wait for another month and half for the same thing to actually happen. The product portfolio will be focused a lot around Anesthesia and Critical Care because that is what we are doing right now and also from the current product that we are producing, how to take them to the global markets, which means we are talking about upgradation of the facilities. We are talking about increasing capacities and a whole lot of things. We feel that besides the API business supplying this particular product to what our finished dosage form requirements are there is a tremendous potential to grow and supply this to the global markets too, and in terms of the portfolio beyond that as I mentioned in the previous question a lot of companies around the world are looking at China plus one source and a lot of opportunities are coming up and are expected to come up whereby we will have more products and more opportunities for APIs to supply to the world.

Rushabh Shah: What would be the likely competition for us in existing and the new product portfolio that we targeted.

Sachin Patel: The entire API industry, there are so many companies that are looking at API and producing APIs, but luckily for all of us, the gamut or the universe is also massive, so I wouldn't say there's one particular company that I would highlight over there.

Rushabh Shah: And normally, if we plan any CapEx there would be target 20% return capital post tax.

Sachin Patel: So our typical calculation is that we aim to have ROI between three to five years.

Rushabh Shah: OK, and then the hospital business in the current TML portfolio we have anesthesia and intensive care. What is the current market share? If you have any data so that you can share in the product that we are present in.

Sachin Patel: See the hospital business, anesthesia business. It's that there's no one big, massive product, uh, so that's a good part about it and that's the bad part about it. The good part is that if anyone wants to do this, they can't really do this with five or six products. You need the 80 product, maybe 100 products to do this and that each one of them will give you a crore, crore and a half, maximum 5 crore of business so it's a complex the complexity of this business comes from obviously, besides your sales, distribution and a network, which is that comes from the fact that you need a massive portfolio to be built up over time to take us to the hospital.

Rushabh Shah: OK, and so do you have any geographical distribution revenue share in hospital business currently?

Sachin Patel: All across the country.

Rushabh Shah: OK, and then this new opportunities what you have mentioned medical devices, nutrition or what timeline can we expect these to significantly be part of our top line?

Sachin Patel: So as I've mentioned in my introduction, there are two areas which are currently up and running. One is anesthesia and narcotics that is

up and running, intensive care is something that we have already started recruiting people for half of the country will be up and running by the end of this calendar year, that is December, the other half we hope by March or worst case scenario June, and subsequently every quarter or every half year more and more teams will get added in this area.

Rushabh Shah: In terms of a distribution network, in the next 2-3 years, can we know it will then be doubled in terms of distribution network?

Sachin Patel: In terms of people you mean yeah, in terms of people, we would most definitely expect.

Moderator: Thank you. We have the next follow-up question from the line of Keshav Garg from Counter Cyclical PMS. Please go ahead.

Keshav Garg: Sir, I wanted to understand that the growth that we are anticipating for let's say three years down the line. So you expect our revenue proportion from formulations to API to remain 65:35 or this mix is expected to change in favor of API.

Sachin Patel: So obviously API is the volume building business if you start focusing on it, but so is hospital so I would not be able to say that there will be 65:35 or 60:40 or whatever is the case, but this is precisely one of the reasons why it was decided that we need to make sure that we focus on both these businesses aggressively. The mindset within the organization was that we are going to focus on the finished dosage form business and not the API business and hence the API business was if I may say so, not getting the kind of focus it should have considering the potential that is there in it. So we very much hope that both the businesses will grow over the years to come.

Keshav Garg: So the mix is expected to remain more or less the same, since we are expecting similar growth in both the division.

Sachin Patel: If the similar group has remained in both the places, then absolutely, but if API grows more than obviously API will grow higher. If hospital grows faster than, hospital will grow faster. If both of them grow at the same rate, then this is where we will be. You are right.

Keshav Garg: Sure, so what I'm trying to understand. The formulation companies which are B2C focus, they having distributors is understandable, but our kind of company which focus area is hospital and B2B segment so. So why do we need distributors? Why can't we supplied directly to the hospital? So now even FMCG companies are supplying to millions of retailers directly without going through distributors, so why can't we do with our institutional customers?

Sachin Patel: We will give it a thought, but at this particular moment of time we feel that this is the most efficient way of distributing products. You have to keep in mind that we are not only talking about the Apollos, around the world, we are also talking about nursing homes in Tier 2, Tier 3 and beyond places which have only 10 beds. So, there is a significant challenge with that and we really need to figure out whether we want to focus on creating a distribution network which is direct supplies or we want to focus on larger penetration at this stage.

Moderator: As it was the last question for today, I would now like to hand the conference over to Dr. Sachin Patel from Themis Medicare Limited for closing comments. Over to you, Sir.

Sachin Patel: Thank you very much. So finally at the end of the session I would like to thank the entire team of TML for their untiring efforts, hard work and dedication. This is what drives the company forward through various market conditions and to all the callers, thank you everyone for

participating in our Earnings call. In case of any further queries, please do get in touch with Adfactors or feel free to get in touch with us directly. Thank you very much.

Moderator:

Thank you. On behalf of Themis Medicare Limited, that concludes this conference thank you for joining us, and you may now disconnect your life.