



**Date: 28/05/2024**

To,  
**National Stock Exchange of India Ltd.**  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (East), Mumbai- 400 051  
**Symbol: MOREPENLAB**

**BSE Limited**  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai- 400 001  
**Scrip Code: 500288**

**Subject: Transcript of Earnings Conference Call – Q4 FY 24**

**Reference: Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.**

Dear Sir/ Madam,

Please find attached transcript of Earnings Conference Call organized on Wednesday, 22<sup>nd</sup> May 2024 at 1.00 P.M. (IST) subsequent to declaration of audited consolidated and standalone financial results for the quarter and financial year ended 31<sup>st</sup> March 2024.

The said transcript is being placed on the website of the company i.e., [www.morepen.com](http://www.morepen.com)

Kindly take aforesaid on records.

Thanking you,

Yours faithfully,

**For Morepen Laboratories Limited**

**Vipul Kumar Srivastava**  
**Company Secretary**  
**F-12148**

**Encl.: a/a.**

**Morepen Laboratories Limited**

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## “Morepen Laboratories Limited Q4 FY24 Earnings Conference Call”

**May 22, 2024**



**MANAGEMENT:**    **MR. SUSHIL SURI – CHAIRMAN & MANAGING DIRECTOR,  
MOREPEN LABORATORIES LIMITED  
MR. AJAY KUMAR SHARMA – CHIEF FINANCIAL OFFICER,  
MOREPEN LABORATORIES LIMITED  
MR. NISHANT DOSHI – VICE PRESIDENT, CORPORATE  
FINANCE AND INVESTOR RELATIONS, MOREPEN  
LABORATORIES LIMITED  
MR. VIPUL KUMAR SRIVASTAVA – COMPANY SECRETARY  
& COMPLIANCE OFFICER, MOREPEN LABORATORIES  
LIMITED**

**MODERATOR:**    **MR. TUSHAR MANUDHANE – MOTILAL OSWAL FINANCIAL  
SERVICES LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Morepen Laboratories Limited Q4 FY24 Conference Call hosted by Motilal Oswal Financial Services Limited.

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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Tushar Manudhane from Motilal Oswal Financial Services Limited. Thank you and over to you, Mr. Manudhane.

**Tushar Manudhane:** Thank you. Good afternoon and I welcome you all for the 4th Quarter FY24 Earnings Call of Morepen Labs hosted by Motilal Oswal Financial Services.

From the management side, we have Mr. Sushil Suri - Chairman and Managing Director; Mr. Ajay Kumar Sharma - Chief Financial Officer; Mr. Nishant Doshi - Vice President, Corporate Finance and Investor Relations and Mr. Vipul Kumar Srivastava - Company Secretary and Compliance Officer, Sir, over to the management for the opening remarks.

**Sushil Suri:** Good afternoon, this is Sushil Suri – CMD of the Company.

**Ajay Sharma:** Good afternoon, Ajay this side.

**Vipul Srivastava:** Good afternoon, Vipul this side from Morepen.

**Nishant Doshi:** Good afternoon, Nishant Doshi from Morepen.

**Sushil Suri:** Yes Mr. Tushar, should we start?

**Tushar Manudhane:** Yes, Sir. Please.

**Sushil Suri:** A formal warm welcome to all the participants who are there on the call today, and of course it is a nice afternoon. I am sure that most of you might have gone through the results by now we had shared to the stock exchanges and the

website yesterday, so I know that I am sitting in front of the computer, so I have access on the numbers, but please forgive me if I am talking too many numbers. But quarter as a whole, it was an outstanding performance for the quarter, but year as a whole also, the Company has done pretty well. Since it is the Annual Result, in the annual thing we discussed the Company as a whole also, but on the quarterly basis, these are just pure simple numbers.

Just to appraise the participants who are joining with these types of calls for the first time, we have primarily 2 type of business segments. One is Medical Devices, and one is the bulk drugs of APIs which are what we call. So, 80% of the revenue comes from medical devices and APIs and API of course, is our traditional business, our old business, which is our cash cow and the Company started from this API only. Medical devices is relatively new, when you say relatively new still almost 20 years old now, but medical devices is the fastest growing business in the Company. When back in 2015, 2016 2017, we have Rs. 500-Rs. 600 crores Company, medical devices is only 13% of the revenue, but now medical devices 26%, more than 26% of the revenue. This is growing much faster. The Company last 7 years has grown with the CAGR of 16%. CAGR is compounded annual growth rate. The company has grown at a CAGR of 16%, but medical devices has outsmart and grown at CAGR of 28% year-on-year. So, that is why I am saying it is the fastest growing segment within the Morepen this thing.

And when you say in little more specific, when you say medical devices, we are talking primarily of the home medical devices. We are into point of care medical devices. Point of care is used in hospitals also sometimes, you have some patient monitors and other things which are used on the bed side of the patient. But we are specialized in home diagnostics. And we have built a beautiful brand Dr. Morepen around customer service and around more consumer awareness, more one-on-one interaction with the customers. So, we sell our goods directly to over 3000 distributors all over the country. And of course, network of more than 125,000 retailers. So, we have more consumer Company than a typical diagnostics Company and we are not into testing and other that stuff. We are in device. That is why we always call it a device.

The second business, of course, is Bulk Drugs in APIs, which is the established business giving good cash flows and growing at its own good speed. Between these two, 80% then we have a range of Formulations and OTC product which is typical in any pharma Company, but medical devices has been our unique positioning.

Moving specifically to the so-called key positioning of the Company, the key achievements what we have been able to do, in both, in medical devices, we have two leading products, BP Monitor and Gluco Monitor. One is a glucose monitoring machine and wherein you buy the meter and then you buy the Strips, one is the blood pressure monitor. We are the market leaders in both the products, and we are manufacturing it in-house. In-house means these are manufactured at our factory, and these are manufactured from basic bare PCB that is a full assembly line for that. I will come to that later and within API, we are category leaders in 6 API products. So, I don't want to confuse you the name, but just to mention these are Loratadine, Desloratadine, Montelukast, and there are three more products where we are third and fourth. So, there are 6 products where we are market leaders. So, all APIs are exported around 68% of the business in the API is from export, hard currency, dollar export to advanced country regulated markets and of course the Company has been consistently growing both in topline and bottomline. With the help of the internal cash accrual, the Company has been able to clear all its old debts with all the banks and in whatever structured way it was. We are a net free Company. That is negligible debt. When you say negligible debt means you are simple car loans and other thing. Rather, we have fixed deposits in the bank, which are sometimes used for the overdraft facility, it is around 35 to 44 Crores of fixed deposit. So, we are a debt-free Company.

So, as we talk, we are celebrating the 40th year of our journey and we proudly say that we have entered into the 40th year with more energy, more agility and a more performance-oriented approach. We are making more and more dedicated system in the Company; then how do we improve our performance and how do we better our profitability. That was the broad thing.

Coming specifically to the operational performance:

During this year, the revenue has grown by 20%. From Rs. 14,24 crores, we have grown to Rs. 17,04 crores, so almost 20%, 19.97% percent, 20% growth in the annual revenue. On a quarterly basis also, the revenue has grown 16.5% for the Q4. So, consistently for the 9 months also, there was an increase and this year as a whole is 20% increase. And just to update you that last year, the year was not so good, but because post COVID, there was a lot of inventory in the markets and the markets were a bit slower. Now, there is a good come back and the fresh buying has started. And particularly in medical devices because it is more primarily based in India, so we have better access and better controls. So, the comeback and the rollback is much faster. Medical Devices have grown by 35%, API business has grown by 14%. Some countries are still shying away and of course, on the positive side, last couple of years, import prices, particularly from China were disturbed and rather they were higher than expected. But now the import prices have also softened, and our margins have increased in the last 3-4 quarters, we are happy to announce that of course, you can see the face of it that the Company's overall productivity and margins have gone up. EBITDA of the Company, which is earning before interest, depreciation and of course the taxation, so it has doubled more than 101% increase from Rs. 85 crores EBITDA last year we have almost Rs. 173 crores EBITDA, 172.6 and the profit after tax also is 150% on a average, 2.5 times from Rs. 38 crores to almost Rs. 97 crores, So, 39 crores to 97 crores annual PAT has gone up, so almost 150% increase.

And as I shared that, we are a debt free Company, so whatever is annual EBITDA almost same is the cash generation. So, with Rs. 83 crores cash generation, this year we have Rs. 168 crores of cash generation, which is almost 100% up. So, we are seeing that whatever the temporary dip was there in the last year, so we have covered quarter after quarter. It has took it little longer than usual, but we are very comfortable with the margins profile now.

So, if we go specifically to the segment wise, as I shared that our main lead segment is the fastest growing segment is Medical Devices. So, within medical devices, our BP monitor and Gluco monitor are two products. Glucose monitor as per the industry report, we have 19% market share and of course, the competition may be almost similar or less, but in our actual Strip supplies or

regular quarter to quarter sales, we are leading. And similarly, in case of BP monitor, we have 18% market share as done by the industry report. Both these products are manufactured in-house and we started production back in 2015 and of course earlier these were imported and Glucometers and BP monitors, both are manufactured from the bare PCB. So, when you say bare PCB, it means this is a plastic sheet and after that we do the moulding. There are sophisticated automatic machines which are used to do the moulding of the registers and all that electronic parts over it. And facilities are not just temporary facilities. These are approved by international based auditors or ISO 13485, which is a global standard for medical devices. And of course, as we speak, medical regulation guidelines are being tightened day and night, every month-on-month and we are happy to see that the small traders and small manufacturers who just start something and flow something like in COVID time, many people have come. So, those things are going out. So, we are happy that our facilities are better and controlled and approved by the international facilities. Other than BP monitor and Gluco monitors, we have thermometers, we have pregnancy kits, we have ortho supports, weighing scales, oximeters, stethoscopes, but all said and done 95% of the revenue come from Glucose monitor and BP monitor. Glucose Monitor is the main product. If we talk of the total revenues, revenue last year was Rs. 327 crores and now this year it has touched Rs. 443 crores. There is a 35% increase in the annual revenue of the Medical Devices business.

On a quarterly basis, also Q4 is little slower than the last three quarters, even in the 4<sup>th</sup> Quarter, there is a 28% increase in the annual revenue of this division. And on a quarter-on-quarter basis, there is 28% jump and 35% over there. And as we are entered already this Q1 of next year, so we are already facing the shortages of the products and capacity constraints because the demand has picked up and the pace is to be maintained. So, we are trying to do more and more backward integration and control the supply chain. With the 35% increase in one year doesn't mean that it is peak, even year before in FY 22 also we were Rs. 428 crores. So, this number is very comfortable and if we keep growing at similar trends, so we see a lot of upside within this business.



Coming specifically to the Glucometer that I shared the maximum business within this trade out of Rs. 447 crores, Rs. 342 crore is coming from Glucometers and the Strip field. Here, I would like to share with all the participants that the way this model is working is that this is more like a if you know that printer cartridge model, we have to first sell the meters and then after that we continue selling the Strips. So, here the more and more meters we sell in the market, so more and more Strip customers we are generating. So, we keep investing behind the meters and we create start cards, they keep creating new and new customers. Over period of last 10 years, more so in the last 4-5 years, we have been able to install 1.16 crores, 11.6 million meters in the market. So, that is like our customer base. We have a customer base of 11.6 million meters, which is 1.16 crores. And on those meters, people use regularly and repeat buying, it is more like the insurance. It is more like I would say regular income and we sell 36 crores Strips. Last year, we sold 36 crores Strips on the basis of this 1.16 crore meters, already in the market. So, number of meters sold has more than doubled in last three years. And similarly, the number of Strips sold has also doubled in the last three years, so the more meters we installed, more Strips we keep on selling and that is the business model. We keep investing and keep reaping the harvest also. As we are talking by end of March this year, we had sold more than 1.5 billion Strips, which is almost 150 crores more than the population of India, but that is a cumulative number. But that is just statistics. But on average, we sell 35 crores Strips and this year we are expecting maybe go up to 40 crores Strips, maybe more. So, the whole idea here is to acquire a customer, keep the customer happy and satisfied. So, we have a full-service team available all over the country. There are Company owned service centers and all the retailers and our sales team also. They double up as sales wraps and we provide a lifetime of free replacement of the meters in case there is any problem, no question is asked, because we are here for the customer service and going ahead the way the world is changing, so any Company who has more or better relation or contact with the customer, he would be giving. So, that is the way we have created this consumer brand that what the whole philosophy and ideology of Dr. Morepen is that we create long term relationship with the customers and Glucose monitor is one of the examples that once you have a meter every day, every time whenever you are checking your sugar levels. So, you would always keep



in mind and once you are a customer for Glucose monitor then it will be easy and comfortable buying the same another product from the same Company, so most of the time the customer is same the guy who has sugar problem, they have BP problem also, all vice versa. So, it is the same customer. So, BP monitor and Glucose monitor. So, it is a very interesting business model that we don't have to look out for new customers. And to the same customer, same set of retailers, same family, maybe within one family, one problem, one person has sugar problem, second person has BP problem, but after certain age certainly it goes together.

Coming specifically to the BP Monitors, BP Monitors is a very simple model unlike in there, we have to send Strips also. Here, we sell directly the meter, so of course there is no further revenue there. So, here also the business has gone 36% this year, while the number of meters sold has gone 29% from 8 lakh meters to 10.51 lakh meters. So, we sell all those 1 lakh meter every month, give or take some season of seasons. So, we have crossed 1 million-mark second time, during COVID also we have sold more than 1,000,000 meters, but earlier at that time it was being imported. Now we have produced in-house 1 million meters and sold 100% from in-house capacities. So, of course we are adding more and more SMT lines and more and more dedicated lines to produce more meters. And we hope that this business also will keep on growing at a similar pace. This year, of course, it has grown 36% because last year numbers were a bit slower, but again we are getting an average 28% CAGR of the last 7-8 years. We are hopeful that it will keep growing and there is still a challenge that this is not very high, as lucrative as Glucose Monitors because they are of two components, the consumable and the Strip. But here, yes, we are basically I would say capitalizing on the Dr. Morepen brand and giving a better service to the customers.

So, when we talk of the manufacturing line, as I shared that we are manufacturing all the meters from their PCB's. And the PCB's are first counted to the SMT machines and SMT lines and the injection molding lines, which you could use those side parts front, back and of course there are separate screen printing machines for the LEDs, so LEDs are prepared separately. Then there are multiple tests and in the Strips, then there is a bulk Strips which we

are still importing from Korea and the sheet cutting is happening in India. But to have a longer-term supply contract and to have a longer-term control over our supply chain, we are planning to have, not planning, also we are working to have in-house production of the Strips also. So, of course, we are working with our Korean counterparts to have the technology here and have a control manufacturing setup in India. Hopefully once we have that, we will be moving some business from Korea also to India. But even if we do not get any regular business from them, if we have the Strip manufacturing in-house, we have the complete meter manufacturing in-house starting from bare PCBs including all the moving parts and including the screen printing. Then, we have a full supply chain for the BP monitors and Glucose monitors both, so then we can work on the export also. As in today, we are exporting small quantities under Dr. Morepen brand in Thailand and Middle East and of course, Nepal, Bhutan were launched much earlier, but still the export is miniscule. But as we go forward, so we see that in case we have a full backup and we have full capacity, so we can start exporting to I would say markets like US and Europe, where every single chain can be as big as our complete India market. Just say as an example, if you are selling 20-25 lakh meters in India, Glucose meters in India, so maybe one single order from any one of the chains, chains like Walmart, CVS, Walgreens, anything we get one single order for which we will be happy to double our capacity or maybe three times. So, we see a lot of opportunities and thankfully this line is still very technical, very sensitive and not many organized players are there. So, most of the supplies have been imported and COVID is trying to control those unregulated means where people were trying to, for sake of better work, people are trying to smuggle up things and trying to just supply things in the market without any service, without any backup. So, imports are becoming more and more difficult and even the bare PCB's have been recently brought under the anti-dumping duty. So, we are thankful to the government that government is putting more and more effort to cut down the imports. The more control on the imports is there, more and more people will be encouraged to have Indian production and that will save us along the cost-free exchange also and of course the overall cost cutting and supply chain. Because COVID time, everybody has seen that, irrespective of the cost, so China was acting crazy. They had increased prices 30%, 40%, 50% and they were playing on the cartage, even on the freights. Containers issue was there.

So, we are trying to have maximum thing in-house. It is in line with Honorable Prime Minister Modiji's vision that we should be the hub, we should be the manufacturer and we should not be a buyer. We don't want to be just another person. We are happy, we are on the same line.

So, going forward with the Medical Devices business, like I said that we are confident of maintaining a single source pattern, so we have noted down in our presentation that what would be the growth driver. So, the number one growth driver force would be capacity extension because now it is the manufacturing we have to produce whatever things we are talking. If I have to increase my topline by typically 30%, 40%, 100% 3–4-year, whatever number, so we have to have capacity for that and the backward integration and capacity backward integration certainly has to match with the latest technology and labor cost, automation. So, that is why I think the major part, but we are happy to work. And of course, on the reach side, within India, of course, we have a sufficient reach as in today we have almost 1,25,000 retailers who we want to go to 300,000 retailers, feedback retailers and over a period of next 5 years. So, as today, we are more focused on the North or the North West, but going forward, South is one area where we need to make more efforts and we will double up the sales there also. It is a much bigger and much educated market, but we have not been able to invest in that market. So, that is another area within India. Then second, as I shared that there will be direct exports under the Company's label and a private label also. So, which is a bit slow process, but it is a much bigger opportunity than doing little exports under our own machines. And of course, we are expanding the sales team for India also, for export also. Retail coverage is what we need to focus on more because that is the service-oriented products. So, we need to be present closer to the customer so that the retailer gets the comfort, and the buyer gets comfort. And of course, more and more sales, training and more and more approaches, so that the sales team has better productivity. So, these are I would say is our growth drivers where we see new sales coming up.

Coming specifically to the new initiatives other than Glucose Monitor and BP Monitor, there are multiple products that we are working, whether it is, Immuno Diagnostics, Cell Culture and of course some other industrial and

mechanical product but major here is the Continuous Glucose Monitoring CGM where you got a patch on your shoulder, and you can take reading from the phone. We are working on these, but it is little away from what we are thinking. So, this industry is very fragile in terms of technology and other things. Thankfully, in both in BP Monitor and Glucose Monitors, this is a very stable product, and it is there in the market for the last 25 years. But we keep our eyes and ears open that even if any new technology comes, we should be able to adapt to that technology. So, we are here, and we are on track. So, we are started investing on the research. We have 3 research labs now, one is in Okhla since last 4 years. So, last year, Baddi plant was also started and this year, early in the last quarter so in the last Q4 we started our lab in Bangalore also. So, we work for an electronic team and Okhla Lab is the biosensors and biochemistry. And Baddi of course Research is more toward the in-house brand production of medical devices, whatever it produced, so that's from R&D side. So, of course we will come to the question. I know that I have spoken too much, we come to the questions and medical devices, but I will give you a quick run on the API business also.

API business as I shared that this business had been very dominant business and the cash cow for the Company. So, here we have 6 products where we are market leaders, Loratadine, Desloratadine, Montelukast. All three products fall in the anti-allergy category where we say market leader, we are no. 1 marketing share in the global market in terms of volume. And two more Statins, Rosuvastatin and Atorvastatin, we are no. 4. These is another anti-allergy product, Fexofenadine where we are number 3 in the global market as per industry report. These six products alone, we are 90% of revenue comes from this, there is a stable revenue on these products. And of course, our revenue is growing as the numbers are speaking. Other than this, we have more products and category and we have big portfolio anti diabetic products, cardiac products and similar lifestyle products. Morepen does not operate into traditional antibiotic and infectious diseases and the so called old products. So we all have high value products which are more than \$100, \$100, you know and of course going forward sometimes the prices reduce. We are not able just to give an example \$2 \$5 item. So we don't have. So that is why we have better efficiencies and better productivity as per reactor capacity, kilolter of reactor

capacity. So reactor capacity in this. So, we have a very lower capacity of only 300 KL to last year. We have increased to 400 KL as our production is much higher than the industry.

So talking about the percentage share of the revenue, Montelukast getting 27% share, Loratadine and Desloratadine and similar products getting together around 20%.

Atorvastatin 17% market share and taxes. Fexofenadine gained 14% from the last year, in this year. Rosuvastatin gained by 9%.

**Moderator:** This is the operator, Mr. Suri, there is static in the line. What I will do is I'll just disconnect you and reconnect you, right?

**Sushil Suri:** Yes,

**Moderator:** Just give me a moment.

**Sushil Suri:** Yeah

**Moderator:** Please stay connected. Reconnect the management quickly. Thank you. Ladies and gentlemen, the management lines has been reconnected, please go ahead. Thank you.

**Sushil Suri:** Good afternoon again. I didn't know till what time you guys heard me, but we were talking that we are market leaders in 6 APIs. So Loratadine, Desloratadine and Montelukast number one market share and two statins, Atorvastatin, Rosuvastatin number 4. And there's another antiallergy product Fexofenadine we again we are number 3 in the line. So, between these 6 products we have 90% market share and not sorry, 9% market share, 90% of the revenue comes from these 6 products where we have stable products, and these are all growing and we are market leaders. We are proud to say that. But other than this, we have around 30 more products which are new products and those are also increasing as we go forward. And 10% of the new products will slowly go up to 30% in the next five years, so that the revenue generation from the new

products will increase as these products mature. So, we are exporting to over 80 countries which are with the regular exports, we have got over 500 customers worldwide who are buying regularly from us and 60% of our export business comes from repeat customers. So, when you say repeat customer doesn't mean one year, two year, there are customers who are buying from us since last 10 years. Of course, between there may be some slippage in one year or two years. They did not buy, but old relationship is what the value here is, so the contacts and relationship, for example, if we had our first customer was in 2001, 2002 was Sandoz, it is part of Novartis, still working with us, Tiago they are still working with us. who was one of the customers. They are still working with us since last 25 years. So, that is the value of relationships and customer relationship we have been able to build.

We have around 17% share sales in revenue coming from U.S. market and around 18% from Europe market and 26% from APAC region, Asia region. MENA region is very low around 3% and of course 31% still from India and 68% exports. South America is around 4%. All the markets have been growing consistently. This year, U.S. market has grown 32%, which is very good as against Europe, which has grown only 7%. We all know that Europe had been disturbed because of various reasons and otherwise also during COVID also, Europe was most affected. India market has grown 17%, of course in volume terms, India market has grown much higher, but in value term it is 17% in spite of the lower value, it has grown 17%. APAC region has grown only 2% here and South America has grown 53%, but the numbers are small, so growth looks higher, but primarily the growth is coming from US, Europe and India and you look at the revenue numbers, API revenues have grown from Rs. 823 crores to Rs. 940 crores, there is a 14% increase in the annual revenue. On quarterly basis, this quarter was excellent from Rs. 217 crores to Rs. 271 crores, there is a 25% increase in the quarterly revenue.

And one thing I am happy to share with you is that even though there was a price reduction in terms of sales and of course raw material prices also, there is a 39% increase in the volume of the goods sold. We had sold 311 metric tons of the drugs taken together last financial year, FY23, but in FY24 again 311 crores, we have sold 432 crores. There is almost 40% increase in the volume

of goods sold. It means thanks to our increase in capacity, we have to produce more even to get to the same level of growth. Even to get 14% growth in the annual revenue, we had to produce 39% more quantity to keep our target. So, we were on the toes for whole of the year, but now thankfully the capacities have increased and if the market goes up, certainly the revenues will multiply much faster. But on the other hand we are exhausting our capacities and we have to keep investing in the capacities. So, that is why we are always under the pressure of expansion because we didn't have any major expansion in the last 20-25 years. All the expansions are happening only from internal accruals. And another interesting thing which I want to share with you is that during this financial year we had a new product, Fexofenadine, new means new in the basket of these so-called blockbusters. We had this product, but there was not much revenue coming. We got US FDA approval back in 22 here for this product Fexofenadine. So, exports have started last year and there is a 300% growth in this business for this current year. So, if we are able to maintain those levels, it should be very good. That's on the API side and I am sure you keep reading on the website and on our regular at LinkedIn and other places that Company is very active on filing patterns and filing DMF, CPs in Europe, so now we have 155 patterns in our intellectual property. Our library of DMFs is going up. So, worldwide we have 349 drug master files for all the different products, 26 drug master files are in US, only then the CPs in Europe. Of course, we are proud of our chemistry scales where we have new polymorphs for which we get patent. So, almost 340 people work with all these QC, QA, R&D to make all these drug master files and patents and other things. So, 43 new products we have launched in last 5 years. Of course, all the facilities are inspected and approved by US FDA on the API facilities, EDQM, PMDA Japan, ANVISA Brazil, of course China NNPA and of course WHO GMP. So, whatever we are doing is as per the international standard and we have a long track record of product quality and customer relationships. And we shared in our last call also which we are still maintaining that we have a 483, there is nil observations by the FDA in our last three, out of three inspections on the two plants, we had no observation by the FDA and we have had hattrick of nil observation and not that we are perfect but as compared to the industry standard in general APIs do not attract many this thing because our product is still B2B, but as against our other peers in the formulation industry, this hadn't been very



friendly. So, we hope to maintain these standards and we are happy that the team had been working very nicely.

So, that is all about the basic I would say both businesses we have talked Medical Devices and API. Other than this we have Formulation and OTC and in OTC you all know that we have a very popular product, Burnol. So, it is more than 75 years of legacy. We have purchased this plant from Reckitt Piramal and of course before that it was owned by Nol Pharma, it is an international brand and now it has synonym with burns, more important than burn, its synonym with Jalan rather 'Jalega To Burnol Hi Chalega'. So, it is a very popular brand and of course we have a separate distribution both for OTC and formulations. So, we are expanding that also. Dr. Morepen has already become a household name and of course Burnol, Lemonate, we have Omega-3, Pain-X, Fever-X, Head-X and there are multiple products and we have sold online also. In Formulation, we have brand like Saltum, Rhymix, Cefopen, Klarim, Intebact. We have some international products where in for the probiotic and probiotics are getting very popular these days. We have it in the formulation. So, on the revenue side, the formulation business has grown by 10%, formulation and OTC taken together and grown by 10%. But during the quarter, it was a bit slow. March quarter usually slow in this business, they have grown only 2%, 71% of the business comes from the medicine side and 29% of the business comes from the OTC side.

On the distribution side, we have more than 5000 distributors, 5100 distributors. We are present in 3.28 lakh outlets taken together and all over the country we are present. 580 people are there in all the states for the selling. Of course, in the generic our distributed separately through a separate Company through a separate, single distributor, but otherwise we have got service centers, we have got distributors all over the country. So, I am not getting into detail of plans.

Financial numbers have already been circulated, so as I shared that gross revenue during the quarter, I am talking about the quarter now. During the quarter, the gross revenue has gone up 16.5%, EBITDA has gone to 182% from Rs. 18 crores to Rs. 52 crores EBITDA. EBITDA level have gone from 5% to

12.31%. So, it is more than double as a percentage because the revenue has jumped and gross margins have increased. Profit before tax also has almost three times from 3% to 9.88% from Rs. 11 crores to Rs. 42 crores, there is a 279% increase in value and on percentage terms it is almost three times. That was profit before tax, now profit after tax last year was very low 2.25%, profit after tax is 6.73%, which is almost 249%. So, those are the quarterly numbers on the annual basis I shared earlier, 20% revenue growth 101% EBITDA growth. And of course, EBITDA is 10.13 after long time has come in double digit. Profit before tax 143% increase, PAT is 150%, PAT is still low 5.67%, we are naturally as the revenue grows, the PAT would increase. So, still we are in that Rs. 100 crores PAT and Rs. 97 crores is the PAT. So, on the financial ratios also, we see significant improvement. Of course that is our ultimate parameter, our KPI's we track is the ratios. Earnings per share has gone by 144%. So, based on the March quarter results and annual results, the earnings per share is Rs. 1.88 paisa for Rs. 2 share and return on equity is 11% as against 5% last year. So, return on equity has also doubled. The return on the capital employed, which includes the working capital also is almost doubled from 7.31% to 15%. The asset turnover ratio, we have been maintaining in spite of the new additions of machinery, it is almost 9 times and debt equity ratio is good negligible because we are a debt free Company, it is 0.03 so which is very good. It is all about this thing, and of course because the time is short, we will go to question answers, but on the expansion side, we are expanding on the medical devices, increasing more capacity and backward integration. We are expanding capacities in the APIs. Of course, we are supplementing the working capital and of course research and development still remains the focus. That is all from my side to begin with in short and sweet and I will go back to the anchor, and we can see the question answers if there are any.

**Moderator:**

Thank you. We will now begin the question-and-answer session. Anyone would wish to ask a question, press star and one on your touch tone. Telephone if you wish to remove yourself from the question queue, you may press star and 2 participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.... The first question comes from the line of Nisarg Vakharia with NV Alpha Fund Management LLP. Please go ahead.

**Nisarg Vakharia:** Thank you sir, for your comprehensive commentary. To begin with, it was quite helpful. I have a couple of questions. I will first start with your medical devices segment. Sir, can you please explain the economics of this business? How much do you have in gross block for Rs. 400 crore of topline and how much working capital and what is the sort of EBITDA margin that you make in this segment?

**Sushil Suri:** of course, the exact numbers that Ajay can give our CFO is here, So, Ajay, you can speak that broadly this business is very efficient. It doesn't have much fixed asset requirement and the asset turnover is more than 10x as Ajay can give you the exact numbers. On the working capital side also, the working capital cycle of course has become a little higher now because of our imports. Because of the self-manufacturing, but otherwise it is typically a cash negative working capital because we get imports from China or Korea earlier and of course we sell is advance in the market. So, we do not give any credit to the market. So, that is why we have been able to create and demand our prestigious brand because we don't need credit. So, it doesn't have huge working capital in the market, but yes because of the increased longer manufacturing cycle. So, our inventory levels have started going up, but Ajay will give you the right numbers. And on the EBITDA side also Ajay can speak.

**Ajay Sharma:** Yeah, EBITDA for Devices business is this year 12%, here we have improved from last year. , last year was 8%. So, as far as the gross loss is concerned, it is around Rs. 43 crores and invested into working capital is Rs. 60 crores. So, all investment into capital part is almost Rs. 100 crores.

**Nisarg Vakharia:** What sort of gross margin do you make in this for 12% EBITDA?

**Ajay Sharma:** Gross margin, we do 25% around.

**Nisarg Vakharia:** Ok thank you, Secondly, sir, now coming to your other business, which is the API, if you look at your Company level margins, our Company level margins are closer to 10.5-11%, our Medical Devices is at 12% margin. What sort of margins do we make in the API business and what sort of margins we make in the formulation business?

- Ajay Sharma:** For API, our EBITDA margins are in the range of 18%, improved over last year, it was around 16% last year. So, as far as formulation is concerned, so current year we have a negative margin here because we are just building our capacity. So, for formulation we have negative so at around....
- Nisarg Vakharia:** Sir, can you quantify that number because 18% EBITDA you do in API, 12% you do in devices, so what sort of loss you are making in formulation?
- Ajay Sharma:** Formulation this year we have done Rs. 19.5 crores loss at EBITDA level.
- Nisarg Vakharia:** In this quarter, how much you have done?
- Ajay Sharma:** This quarter is around Rs. 4 crores.
- Nisarg Vakharia:** Sir, again, I am asking you. See, you do the math yourself. API, you said 18% margin, then you said 12% margin in devices, so how can we make only Rs. 4 crores loss in formulation, the numbers won't add up?
- Ajay Sharma:** No, in fact, when we talk about these numbers, these are the business standalone numbers. Then, we have common expenses which we do not allocate to any separate divisions, so when we add.
- Sushil Suri:** Unallocated corporate expenses.
- Ajay Sharma:** Unallocated corporate expenses, when we talk about business, we talk about only the standalone. It doesn't include any allocation. This number was on a standalone basis and then we have our OTC business which is also making some losses during this financial year, corporate expenses as well. So, for this quarter 4, the EBITDA level will be whatever we have already mentioned in the...
- Nisarg Vakharia:** Ok, Secondly, if I am not mistaken, there is Rs. 600 crore of gross block on your balance sheet, right?
- Ajay Sharma:** Yes, I think that was last year. This year we have around Rs. 500 odd crores.

**Nisarg Vakharia:** Yes, and for the medical devices, you don't have too much of gross block. You said it is Rs. 40 crores, right?

**Ajay Sharma:** Rs. 42 crores.

**Nisarg Vakharia:** Yes, So, balance gross block is all dedicated essentially to API?

**Ajay Sharma:** Mostly to API and then formulation as well because the formulation, we have build, we have spent money in the formulation as well and in fact we have also built some capacity for our ANDAs as well. So, though topline has not been realized as we have said, so that will come maybe in another next 12 to 15 months, so mainly API and followed by formulation and then devices.

**Nisarg Vakharia:** Ok, What is the peak revenue potential that you have on the existing gross block in the formulation and API business, assuming you don't have to do CAPEX?

**Ajay Sharma:** You see, this year we have done around Rs. 950 crores of topline in the API. So, we should expect another Rs. 150 cores or to Rs. 200 crore more, so till around Rs. 1,150 crores we can do with the existing with small addition here and there and formulation we have already built in the CAPEX. So, formulation, we have manufacturing touching topline of around 100. So, to my understanding this topline could be stopped till maybe around Rs. 300 crores. We can achieve 3 times the topline whatever we have because CAPEX we have already done it. So, we will be able to realize upside this year as well as next year. So, you will see revenue growth in the formulation particularly at least three times in coming two years 2.5 time to 3 times.

**Nisarg Vakharia:** Ok, just re-asking this question. If you look at any pharmaceutical Company and if you look at the margins that they do in formulation is closer to 20%, like bare minimum I am saying and API they do between 12% to 14%, but our Company level margins are at 11% this quarter. So, is there something which is depressing these margins, or is this the steady state margins going ahead?

**Ajay Sharma:** Let me share with you that our distribution business, it is very small. So, it is around Rs. 45 crores this year. But we have incurred losses into this because

our team is small and we are not able to really achieve the breakeven in the formulation. So, that is one. Then we have manufacturing. We have done capacity addition only in this financial year. So, our salary cost was too high. So, we must see this turnaround in this financial year, so whatever this negative has really brought down our overall EBITDA, so that at least this financial year should we break even and the formulation distribution business, we have losses, I think that losses should also come down if not really breakeven. So, we will see improvement into this business. Otherwise, in API and devices, we are fairly good and we will be able to improve our maybe margins, something in both the business and particularly formulation business will show greater visibility in the next 12 to 15 months, yes.

**Nisarg Vakharia:** Devices are basically, essentially, how much of the devices are sold online versus general trade?

**Sushil Suri:** Online around 9% to 10%. The rest is all general.

**Nisarg Vakharia:** Rest is all general trade?

**Sushil Suri:** Yes, general trade through direct distribution.

**Nisarg Vakharia:** Then who would be the large, branded players in this space other than you in India?

**Sushil Suri:** In both products we are different. In Glucometers it is Roche and in BP Monitors Omron. So, we are competing, both sides, we have multinationals and of course we are much ahead of them in the on ground and real number. And nothing official about it, but we hear that Roche is already upholding its division and they are withdrawing their sales team because they are not super competitive at the retail level, and they were enjoying the monopoly because they were just selling brand. But now the markets are acting competitive, and the customer is more demanding, so multinationals are losing their job. Other than this, there are small, long tail of those so-called import and sell companies, which just fly by night, they come and go.

**Nisarg Vakharia:** Ok, And this is a doctor prescribed product or this is pure OTC?

**Sushil Suri:** It is pure OTC, pure OTC, something on the margins. So, I think like Ajay explained that we are still struggling to find headway in the formulation, but you would understand that as I shared in the beginning 80% of revenue between medical devices and API. So, honestly, that is our growth story and that is where we want to go. Formulation and OTC, we are, I would say not on the head runway and we are just trying to see okay, how can we make this business profitable and maybe at some stage divest it or get a partner or get into a separate Company both these are into separate companies. Dr. Morepen is a separate subsidiary, formulation on the separate subsidiary. So, obviously we are working to at least these businesses breakeven and we loose, we don't have a drag on profitability. But on the other hand, certainly there is even after corporate allocation, our overall EBITDA is lower. But in devices, for example, I was telling that this is a printer cartridge model. The more printers we sell, the more cartridges will be selling, so more meters we installed. So, the number of meters installed will also grow very smoothly. If I grow 20 lakh meter, 25 lakh, 30 lakhs, but the number of Strips will keep on increasing because for every meter we have installed, so that delta is increasing every time so the margins are increasing. So, we try to exploit these numbers for the next five years and we are seeing that the devices margin will go, EBITDA margin will go up to 18%-19% because that is how the math works.

**Nisarg Vakharia:** Just to ask you on this point, which you mentioned, small question, this Rs. 400 crores sale that we have closed for devices this year, out of that Rs. 400 crore, how much sale comes from these Strips?

**Sushil Suri:** Around Rs. 373 crore is Strips only meters and Strips.

**Ajay Sharma:** Rs. 342 crores is the Glucometer business, put together.

**Sushil Suri:** Yes, around 70% of our sales is coming from. This is the basically, I would say our bread and butter and that I was telling you the presentation also that BP monitor is just add on and it will give us enough money to pay the bills.

**Nisarg Vakharia:** Sir, I understood, my question was slightly different. I was saying in Glucometer you sell a meter and then you sell a Strip, right?



- Sushil Suri:** Yes.
- Nisarg Vakharia:** Now Strip is a repeat business, what is the absolute quantum of the Strip business that you have per year?
- Sushil Suri:** Ajay, you will have separate numbers.
- Ajay Sharma:** I don't have, but it is around 85% is Strip business.
- Nisarg Vakharia:** Around 85% is Strip?
- Sushil Suri:** Yes.
- Nisarg Vakharia:** I would think that your margins in Strip are substantially higher than your meter.
- Sushil Suri:** Yes, basically that is where we do not officially share the so-called separate numbers because literally meters are sold at a certain MRT, then there are Strips, of course to there are certain schemes which are shared with the distributors, but ultimate objective is that okay, we sell more and more Strips. Strips are of course, high profit number and as we go forward, the meters would be growing at say 20%, Strip business will go at 30%, that 10% delta is profit. During COVID time, for example, there was a shortage. No new meters are not being installed, so we had margin of 21% that year. Because it installation is not going, Strip users have gone high. You were checking, everybody checking the sugar level 3 times, 4 times, so Strip usage goes up as awareness is going up. So, this is going up that.
- Nisarg Vakharia:** Ok, great Sir thank you, for answering my questions patiently.
- Sushil Suri:** So nice, thank you.
- Moderator:** Thank you. Next question comes from the line of Tushar Sarda with Athena Investments. Please go ahead.
- Tushar Sarda:** Yeah. Thank. Thank you for the opportunity. One of my questions was of course on the composition of Strip, which you have answered. My second

question, sir is on the API side, you have in the presentation given 6 molecules were your leadership. So, what percentage of your API business is out of these six molecules?

**Sushil Suri:** I had shared around 90% of the business comes from these six molecules and 10% we certainly have a long tail. But within that 10% also there are 5-6 main products, for example, Loratadine, Desloratadine, Montelukast, Atorvastatin, Rosuvastatin, Fexofenadine. These are 6 products which we call it key products. And then there is Dapagliflozin, Linagliptin, and Olmesartan, Apixaban and Edoxaban, Saxagliptin. But these are all new molecules under patent in one country or the others. So, they take some time.

**Tushar Sarda:** Ok, and any of these molecules you think can become big other than the six?

**Sushil Suri:** Tushar, we all plan that everything should become big, but markets are real. So, sometimes for example Sitagliptin was expected to be a blockbuster, but 20-30 people launch in the market. So, product bond, sometimes innovator plays some games. So, we are aggressive in everything so but it depends on the market conditions.

**Tushar Sarda:** You have a relationship and you mentioned Perrigo, very big player. So, that is why I was asking? on the relationship, it becomes easier to penetrate the market, right, otherwise pharma manufacturing?

**Sushil Suri:** That is why I gave you the example of Fexofenadine since we had a relationship with the Perrigo and Loratadine, So, and it is an OTC Company, they are a private limited Company. So, they picked up Fexofenadine also. So, even though Fexofenadine major work was done by Sandoz, so it all depends which market opens at what time. Last couple of years, particularly in Europe, supplies and Europe these accruals have been disturbed. Of course, Europe has disturbed post COVID. So, we keep on seeing lot of opportunities but honestly we do not give any forward-looking figures at this platform, so I am keeping my mouth shut.

**Tushar Sarda:** Okay, Thank you.

**Sushil Suri:** Lovely.

**Moderator:** Thank you. Next question comes from the line of Madhur Rathi from Counter Cyclical Investment. Please go ahead.

**Madhur Rathi:** Hi. Thank you for this opportunity, Sir Sir, I wanted to understand this 18% to 19% EBITDA margin in medical devices that you have said that we can achieve, so this will be from our own manufacturing of this Strip or their efforts to achieve this kind of margin in the segment?

**Sushil Suri:** And this will be 100% out of our own manufacturing and that is our key strategy that we do not import, and we do not even do lot of outsourcing also. The machineries are not very costly. The only thing that needs is a space and a building. So, we are building huge sheds to accommodate our injection molding, and other machine. So, we are trying to reduce our dependence on import and reduce our dependence on the third-party manufacturers who ponder us every day. So, we are trying to get better controls.

**Madhur Rathi:** Ok, and Sir, I like you have a fair idea that Roche is winding down its retail base so are there any plans to just sell the Strip that will go into the Roche machine and take that business away from those?

**Sushil Suri:** These machines Madhur, are very locked machines so Roche machine cannot use my Strips and my meter cannot use their Strip. So, these are customized meters and customized Strips, so they work on a particular software. These are the whole. That is why I am calling it a printer cartridge model or Gillette shaving razor model, so we cannot use anybody else in this. But on the other hand, the advantage in case one player goes out of the market or for even if there is a temporary disturbance. So, that is an opportunity to capture the market. We can sell our meters and we can gain that market. So, that is an advantage. But we can't use their customer base and Roche has been there in the market since 20 years, maybe they are there since last 15 years. We don't know. So, maybe they have a similar meter base, but regular meters, active users and we have more active users than them.

**Madhur Rathi:** Ok Sir, got it, this is the final question. Can we see our formulation business being at least break even on FY25?

**Sushil Suri:** Yes, it is on the card that how we are working on it. So, we are actually not doing major expansions and trying to see that okay, first, we should start making money because it is a people driven business and we have to have sales force, list of the doctors, marketing and everything. So, we are trying to control this effort, so that first we start making money and Ajay shared that last year we had major expansion in the capacities and because earlier our machines were very low-capacity machines, low machines and we are not able to recover whenever costs and salaries. So, now we have put-up high-speed machines which are having much higher capacities and we will be able to have higher volume and you all know that how will be pursuing for generics. So, we have lot of volume coming from Jan Aushadhi which is the government scheme, so we are supplying to Jan Aushadhi. Jan Aushadhi business has more than tripled this year. So, if we continue having regular business with fast capacities, this is a very profitable business, but we had issues, so we are not shying away from that, but as an industry we know that we have to work on it, we are on to it. But yes, our business model and our growth story, growth plan is not in formulation. We are more of our leading devices Company with 28% earning. That is our business model.

**Madhur Rathi:** Ok, Sir, can you explain the EBITDA margin in the range of 14%-15% for the whole year FY25?

**Sushil Suri:** I won't be giving any guidance, but if we continue growing, you can see the growth numbers or if you are seeing the CAGR. So, based on that, I think we should be able to maintain a healthy rate. I am not giving any specific numbers. You know the regulations...

**Madhur Rathi:** We have just the back of the envelope calculation based on the margins are very different?

**Sushil Suri:** Yes, EBITDA margins certainly are increasing year-on-year and certainly once the volume grow up, now this way, you have seen that just with 20% increase, our EBITDA has doubled. So, it means the expenses are all covered. Expenses

are same we are not going to increase expenses, so we already have whatever we have.

**Madhur Rathi:** Okay, Thank you Sir.

**Sushil Suri:** Thank you Madhur, thank you.

**Moderator:** Thank you. Next question comes from the line of Ketan with Robo Capital. Please go ahead.

**Ketan:** Sir, my questions have been asked.

**Moderator:** Thank you. A reminder to all the participants that you may press star and one to ask a question... Once again, a reminder to all the participants that you may press star of one to ask a question. Next question comes from the line of Tushar Manudhane with Motilal Oswal Financial Services Limited. Please go ahead.

**Tushar Manudhane:** Sir, just on the medical devices apart from, first of all on Glucometer itself, if you could share, what are the new developments in terms of product side which can give an edge compared to competitors for us?

**Sushil Suri:** Yes, Tushar Glucometers, as I shared that it is a very stable and robust product and we sometimes do not disturb even the model what we launched like double BG 03 model which we sell to the trade and the BG 05 for online. So, basically the customer used to a particular technology and this technology is successful and is working, but as we goes forward, there may be some improvements within the models with some electronic components, some screen component which we also keep on doing. There is a Bluetooth possibility, but we have tried Bluetooth operations also, but people are not ready to pay Rs. 200 extra for Bluetooth because not many people are used to it. Normally, these devices are used by senior citizens, so that the interesting development here is, as I shared earlier, was the continuous glucose monitoring, the CGM, the patch technology. So, our R&D team is working on the patch and we are trying to develop our own patch. The existing product in the market, Abbott has a product that is very costly. They charge Rs. 14,000 for a 14 days patch, so now many apps have come where they give it a discounted rate. Even then it costs

at least Rs. 5,000 for one patch for 14 days and you need 2 patches for a month. It is like Rs. 10,000 a month cost, just to test your sugar. So, I would say India is a poor country, so we can't afford that. There may be a certain 0.5%, 1% people who can afford that. But for the masses we are trying to bring down the cost to maybe say Rs. 1000 monthly cost or Rs. 1000 per patch. So, but that is a long dream. It may take 2-3 years' time. But other than the meter and Glucometer and BP monitor, we are working on technology, for example, Strip manufacturing. Once we understand the Strip manufacturing, then we are basically trying to learn art of making a Strip that humble Strip has got a circuit. It has got biochemistry; it has got enzymes. So, once we know how to make a Strip, so today we are making a Strip for Glucometer for the sugar testing. Tomorrow, we have to make a Strip for cholesterol testing, so we can make a Strip for cholesterol testing also. Similarly, we developed technologies for a very accurate pregnancy test last year, but the same technology being used to manufacture a test for dengue or for malaria, because now we know the chemistry and we have got all the moving parts to make a deck and a card and testing. So, basically the way the industry works is it works on technologies. If I have got some technology I can replicate that technology any other thing. Second is the paraphernalia of making all those things and all the electronic part and plastic part and assembly lines and quality controls. That is the growth.

**Tushar Manudhane:** Understood sir and, once we have the in-house manufacturing of Strips, any geography you would like to call out for exports where the initial focus would be?

**Sushil Suri:** Initial focus, of course, would be on Europe and US only. So, there we need a CE certification for them. So, post COVID, Europe had been very slow, there have not been any inspection after that, and many of that time, they have reduced their staff also, but we feel that the US will pick much faster because we are in touch with all the change which I named and all the big boys, the Walgreen, Walmart and CVS and I am not quoting anybody's name. All the big boys I am saying. So, we are in touch with them, and they are happy to register and acknowledge our product, but they have long procedures, but the volumes are very high and the numbers are very high and Europe the system is chain, there are private hospital chain, there are pharmacy chains, so it any

other chain they start buying from us, so we would be happy to supply. Otherwise, this Middle Eastern market is absolutely uncovered. There is no manufacturing there and even this South American market is absolutely uncovered. So, there is a Brazilian Company who is working with us on BP monitors, Glucose monitors. Somebody wants pregnancy kits in Mexico, so I would say these are random opportunities which will keep on coming, but if we have the capacity, so usage of capacities. Now, we are coming out of the cocoon, you don't have the peak of Rs. 500 crores, we have to plan for Rs. 5,000 crores. So, for Rs. 5,000 crores we had to earn capacities.

**Tushar Manudhane:** Understood and lastly, this Korean Company from whom we currently procure the Strips, would you like to share how many Strips they make annually?

**Sushil Suri:** That is a private Company. We do not have their number, but I am sure whatever sheets they are supplying to us maybe two to three times they are doing it for themselves also. But the fact remains that we are their largest customers and typically they want to exit this business because they also have some routes in China and everybody is going disturbed, because of the China thing. So, they also want to establish a base in India. So, we see that once we have a base, irrespective of the quantities, we are in line with this thing that we are a manufacturing hub and that is a huge opportunity we are sitting upon and that is why I was telling that we see this as a much bigger opportunity than tracking our neck on formulation business or on any other generic business. So, we see that this unique opportunity which we are eyeing upon.

**Tushar Manudhane:** Thank you, that's it Sir.

**Sushil Suri:** Thank you Tushar.

**Moderator:** Thank you. Next question comes from the line of Tushar Sarda from Athena Investments. Please go ahead.

**Tushar Sarda:** Thank you for the opportunity again, one question is any plans to demerge the medical devices business and list it separately?



- Sushil Suri:** Yes, I think it is already on the cards and we have already taken shareholders' approval. So, we are working on the regulatory procedure that how would it be. Of course, it won't be a demerger, it would be more of knock stock and better sale, Ajay can explain better. So, it won't be a demerger, it will be like 11 UA, but we are still seeing the regulatory part first because there are medical device is huge, so which we are supposed to prepare separate licenses and new licenses for each and every production. So, since we have capacity limitations, then we have the so-called production limitation. We don't want to so-called have a gap in the market. So, we are trying to find the right time and opportunity wherein we can have some overlap and apply the license in the new Company and then we get license is the new Company and then start. We are still working on it, but within this financial year we will certainly start moving the business into devices. And then at that stage it can have its own capital event. It can have its own fundraising or at whatever stage, we don't have any plans on the card, but it is free to do that.
- Tushar Sarada:** And what is the time frame to reach 18%-19% margin in this business, which you said devices business?
- Sushil Suri:** That I was telling you, we have done some math's for the next five years, so of course actually it keeps on increasing year-by-year as we go because that is how the business is planned, but you never know, like when do we get some big jackpot and big orders? But because of the listing guidelines, I would like to keep quiet on this point. So, we can't speak much in the future.
- Tushar Sarada:** And the last question, sir how much is corporate overhead, which is unallocated?
- Sushil Suri:** Ajay, you can speak on it. I think it is around Rs. 4-Rs. 5 crores every month.
- Ajay Sharma:** Yes, around Rs. 4 crores per month.
- Sushil Suri:** Rs. 48 or Rs. 47 crores was last year. That includes all the IT, HR, Account, Finance, Corporate affairs, Legal. So, everything is at one place.
- Tushar Sarada:** Thank you Sir.

**Sushil Suri:** Lovely.

**Moderator:** Ok, Thank you. Next question comes from the line of Dhaval Jain with Sequent Investment. Please go ahead.

**Dhaval Jain:** I just wanted to understand that in the last call you had mentioned that you aim to sell around 100 million Glucometers in next 5 years, is that guidance still that you aim to maintain?

**Sushil Suri:** Rs. 100 million is the market size and that is the estimated market size of the diabetics in India. No one knows what is the right number. So, there is WHO number they say 50% of the market is not addressable means either people don't even know that they have diabetes, or they don't care. So, it is in villages, so it is assumed that the addressable market is 50%, which is 5 crores meters, we had at 1 crore now. So, even if I want to double up, from 1 crore, if I have to go to 2 crores meters, we need a 27% growth rate in 3 years. So, if I want to go to 3 crore meters in say 4 years, basically I would say if we keep on spending 25%-30%, we still have room. Even if we assume 5 crores is the number of the addressable market. But we are seeing in the last 5-7 years that awareness level is increasing, market is expanding as the reach is expanding, affordability level is increasing and the most importantly, health concern is increasing, thanks to COVID. People are alert and active now, so the market is expanding and so are we expanding. And we are still talking India, if you talk of global market, India is just peanuts. So, I would see that we see a lot of opportunities. But it is a wide canvas, so we can make our own drawing.

**Dhaval Jain:** So, the next thing is like the Strips also would obviously keep increasing in that proportion. So, I just wanted to ask like in FY25 then how many meters that you need to sell?

**Sushil Suri:** Look, as I shared like that number is almost, I would say going steady not that it is constant from 22 lakh meters, this year it was 24 lakh meters. So, next year maybe 30 lakh meters. So, we will actually, I would say this control which we have. We always know that, okay which market is lacking? If naturally we are launching a new market, you have to give more meters and if we are in the same market, we know what is the absorption level. We never keep high

inventory in the market, but on the other hand, we always see that, if we have sold so many meter is the Strip sale coming or not, there may be some market, you place meter, the Strips, people don't come back. So, people don't use. So, maybe some markets have more I would say Strip, say in some markets are lower, but on average the whole idea is that we keep on going the meters, so this year we have planned for 30 lakh meters and of course next will be 36 lakhs, 40 lakhs, so keep on expanding and of course we watch. The end game, the rule here is, I would say the formula here is how many Strips do we sell per meter. So, as on date it is around 150 Strips per meter sold. If we sell 24 lakh meters, we have sold 36 crore Strips. So, this 150 number should go up, 150 to 155, so that that has also indicator. During COVID time it was 165 because the usage was very high. So, this number so long as my number goes up according to the current year number, we are not calculating on average basis because even if you say 1 crore meters, active meter maybe 20% or 30%, we don't know. So, based on that number, our usage is much higher.

**Dhaval Jain:**

Thank you so much.

**Sushil Suri:**

Thank you so much. I know it's a new business and new games with little more questions, but interesting.

**Moderator:**

Thank you. Ladies and gentlemen, we have reached the end of question and answer session. I would now like to hand the conference over to the management for closing comments.

**Sushil Suri:**

Thank you very much for the patient hearing and appreciate some interesting insightful questions. And I would like to only add that it is just the beginning of the story. So, India story is unfolding very nicely globally. So, we are a traditional hardcore manufacturing Company and want to focus on more and more on building new technologies and more basis of quality FDA, ISO. So, robust manufacturing model based on the low cost and global capacity. So, that is our model. And of course, with more and more contacting relationship with the consumers, both in the Medical Devices and the API side. Happy to have any questions, if anybody has any questions, please feel free to write the e-mail to Nishant in Bombay or to Nitika, Corporate Communication. Thank you guys. Have a good day.



*Morepen Laboratories Limited  
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**Ajay Sharma:** Thank you so much.

**Moderator:** Thank you. On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.