MOREPEN

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To,

National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai- 400 051
Tel No: (022) 26598100 - 8114
Fax No: (022) 26598120
Symbol: MOREPENLAB

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400 001
Phones: 91-22-22721233/4
Fax: 91-22-2272 3121
Scrip Code: 500288

Subject: Transcript of Investors and Analyst Conference Call on Results for Q1 FY 2020-2021

Dear Sir/Madam,

Please find attached transcript of Investors and Analyst Conference Call organised on Tuesday, 1st September, 2020 at 03.00 P.M. (IST) subsequent to declaration of unaudited standalone and consolidated financial results for the quarter ended 30th June, 2020.

Further, Mr. Sushil Suri, Chairman & Managing Director and Mr. Ajay Sharma, Chief Financial Officer of the company, interacted with Ms. Hiral Dadia, Anchor and Content Editor of Nirmal Bang Securities Pvt. Ltd. (Popularly known as 'Nirmal Bang'), a 34 years' old trading and market research company, on Q-1-FY 2021' results.

Please refer to weblink https://youtu.be/bTKFU10MTq8 and see the full conversation.

This is for your information and records.

Thanking you.

Yours faithfully,

For Morepen Laboratories Limited

Vipul Kumar Srivastava
Company Secretary

Encl. as above.

Morepen Laboratories Limited
Corp. Off.: 4th Floor, Antriksh Bhawan, 22 K.G. Marg, New Delhi- 110 001, INDIA
Tel.:+91-11-23324443, 23712025, E-mail: corporate@morepen.com, Website:www.morepen.com
CIN NO. L24231 HP1984PLC006028
Plant & Regd. Off.: Morepen Village, Malkumajra, Nalagarh Road, Baddi, Distt. Solan (H.P.) -173205
Tel.: +91-1795-266401-03, 244590, Fax: +91-1795-244591, E-mail: plants@morepen.com

"Morepen Laboratories Limited Q1 FY-21 Earnings Conference Call"

September 1, 2020

MANAGEMENT:	**MR. SUSHIL SURI – CHAIRMAN & MANAGING DIRECTOR, MOREPEN LABORATORIES LIMITED** **MR. AJAY SHARMA – CHIEF FINANCIAL OFFICER, MOREPEN LABORATORIES LIMITED** **MR. VIPUL KUMAR SRIVASTAVA – COMPANY SECRETARY, MOREPEN LABORATORIES LIMITED**
MODERATOR:	**MR. VASTUPAL SHAH – KIRIN ADVISORS PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Morepen Laboratories Limited' Q1 FY21 earnings Conference Call hosted by Kirin Advisors Private Limited. As a reminder, all participants' 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 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. Vastupal Shah from Kirin Advisors. Thank you and over to you, Sir,

Vastupal Shah: Thank you. Good afternoon everyone. I would like to welcome Mr. Sushil Suri, Chairman and Managing Director, Morepen Laboratories Limited; Mr. Ajay Sharma, CFO of the Company and Mr. Vipul Kumar Srivastava, Company Secretary of the Company. Sushil Sir, over to you.

Sushil Suri: Thank you, Mr. Shah. Good afternoon everybody. We hope that everybody is comfortable and safe at their homes. We know that COVID-19 is disturbing everybody. These are challenging times so we request everybody to play safe particularly down South and Maharashtra have been badly affected so we are concerned about all of you.

Coming to the real picture that COVID has disturbed the business and economy all over the world and India is not spared. Today headline was very disturbing that we have 24% shrinkage in the economy. But the good factor today is your company particularly the Pharma sector have been thankfully saved. So it is not much affected by COVID. There are certain segments which are affected but just to update you as last quarter, so this quarter we had less challenges as compared to the March beginning but April was bit tight. The production facilities are not fully functional. May and June were more comfortable.

So now the factories are 70% to 80% I would say to an extent even up to 90% functional, everything is going good. Corporate offices are also opened and now we are having this call from the office. Last time we were still working from home. So good news is that we are back in business and everything is normal and we still have restrictions of social distancing and we are still have erratic cases here and there but it is fine, it is part of life which is the new normal.

Coming to the business, as you might have seen the results which have been published in the newspapers and have been given in the stock exchanges. So you might have noticed that the turnover of the company which is primarily coming from the API business has grown up by 27% from almost Rs. 259 crores this quarter as compared to Rs. 203 crores Q-1-FY20. So there is an upside of 27% and you would appreciate that this 27% growth is coming in the middle of the lockdown, in the middle of closed factories, closed godowns that at many places transportation problems, custom problem, problem of import of raw materials.

If the business has been good and normal this could have been better but certainly we have to add up that there is some overflow from March quarter also. March quarter at the end we had lost some sales for one week so that might have been added here. But on the whole 27% growth is coming up and without any complaints or any disregards to whatever is happening around the industry so we have been very comfortable.

The business of the company had been very profitable also. The profit of the company has jumped by almost 155% against Rs. 7.68 crores we have got a profit of Rs. 19.56 crores in this quarter which is highest ever in any quarter so far and last year the full year profit was approx. Rs. 33 crores so now it is Rs. 19.56 crores. So EBITDA has also moved by 42% from Rs. 19.61 crores to Rs. 27.90 crores. Of course there have been a rise in the profit, rise in the gross profit margins. There have been an upside in the price realization, better price realization because of shortage of materials they had at some markets we have got better prices.

Thanks to good EBITDA, our cash profits have also shoot up by 44% from Rs. 19.61 crores to Rs. 27.90 crores. So as you would see from revenues to EBITDA to cash profit, everything have been growing very smoothly and since EBITDA company is a debt free company there is not much debt, so EBITDA directly flows down to the net profits. Our depreciation component is not very high. So effort of the company is that more and more EBITDA is coming in to the company, more and more gross profits are earned so that the return on the capital employed and return on the total equity goes back to business.

Going to the segment wise growth. API has been the biggest segment which has been contributing to the growth and within API 70% to 80% of the business is exports, around 20% to 30% is domestic. So this quarter export has gone up by 47% and domestic market has gone up by 36%. Both markets have grown up. And growth of the company in certain products is 200%, 100% like Rosuvastatin has grown by 260%, Loratadine has grown by 90%.

On the diagnostic sides, we have some limitations on the sale of glucometers but BP monitor sales have jumped by 57% and overall diagnostic sales have grown up by 16%. So all around there is a good growth. As we shared in the last quarterly call, in our OTC business we had lot of products we had launched, lot of new products for the COVID including sanitizers, masks, gloves, Chyawanprash and so many other items. So they have all contributed 53% of the topline.

Even though our original products like Lemolate and Burnol could not do well because of the lockdown. But COVID range has contributed very well and the company has been able to find a good foothold in the market inspite of the crisis which we all are going through. Net-net the after impact is that the net profit of the company has grown up by 153% and as compared to Rs. 7.66 crores, last year first quarter, so we are at Rs. 19.37 crores and company is very happy with the growth of this and looking at the overall market, demand of the products and our capacity utilization so the board has approved an expansion plan for the API to the extent of Rs. 178 crores, we will shortly come to this when we discuss the individual slides.

That is an overall highlight increase in revenue, increase in profit, good increase in API, good increase in diagnostics and of course expansion plan. Going specifically to the segment wise growth, we discussed that API is around 44%, diagnostic 16%, OTC 53%. There is only one segment which has not performed up to the mark is the formulation sector, the finished dosages where our people go to the doctor, who generate prescriptions and people buy medicines. There has been some shrinkage there. So we have lost 31% market there because people were not able to approach to the doctors, doctors were not sitting and because of the complete lockdown the hospitals were also not allowed to attend to the OPD patients.

So we hope that this market should come back may be current quarter to some extent but it may take another two, three quarters for finished dosage business. But whatever business we lost in finished dosage we have gained in OTC and we have gained much better in diagnostics and in API. So coming specifically to the API business, within API business 43% of the business has grown particularly in the hardcore APIs which are our drugs like Loratadine, Montelukast, Atorvastatin, Rosuvastatin; there is a 47% growth primarily coming from exports.

Then some intermediates which we supply to our customers in Europe also in China. There is a 91% growth there. So there is a huge growth in the intermediate business and new molecules where we have small quantities to sell so we have grown by 21%. So API is still taking the lead and it constitutes 64% of the consolidated revenues and on a standalone basis API sale is like 68% and it has grown by 44% Quarter-on-Quarter which is a very good thing and which is giving I will say a lifeline to the company for the future also and as you would appreciate the government is encouraging more and more manufacturing of APIs in India. Government wants to restrict import of APIs out of China and other countries.

We are rightly placed for this growth and we feel that API growth is the next driver of the company in the coming times. Before we go to the expansion plan so I would like to touch base that which countries have been giving good growth to the company. So as per the statistics available 57% of the topline of export is still coming from Asian markets which of course include the China and Japan market is very good and then we have Bangladesh, Pakistan, Vietnam, Philippines, Korea, Thailand all the countries we are supplying.

So we are supplying to over 100 countries, 80 countries currently now. And Europe have been doing pretty well. Our Europe market has grown by 127% while Asiapacific has grown by 45%. US could not do very well in this last quarter and US was run at down 20%. So other than US, Europe, Asia other markets which are semi regulated markets like South American markets, Eastern European markets, so they have grown by 38%.

So overall demand of the API has come from all sides. We have grown in quantity, we have grown in value and thankfully there have been an upside in the dollar value also. So looking at all the positive pointers management presented to the board an expansion plan for the API and thank you to the Government of India also for giving us special scheme that we can address our new demands by under a special single window clearance system. So we applied somewhere in the month of May and we got the permission in 24th of July under the single window clearance.

So the project of Rs. 178 crores has been cleared and out of the Rs. 178 crores, around Rs. 48 crores is going for building and then another Rs. 80 crores, Rs. 85 crores for the machinery and then installation, electrical services, there is a lot happening there. So we feel that it will take around 3 years to complete the capacity expansion what is already envisaged. Whole of the project may not take three years but in a phased manner we may start something in the second year, something in the third year.

Total we are adding 2000 MT of capacities against 3000 MT of capacity is already available. Adding many reactors on those 400 kiloliters of reactors will be added. And we will be manufacturing 40 products there. So we all know that there is a lot of shortage of jobs now so we will be adding 700 people, new jobs. We will be creating 700 new jobs in the coming three years only for this expansion other than the 18 projects which are already going on.

So as per the present plan approved by the board the expansion is supposed to be funded through the internal cash accruals and we are hopeful that with the going flow of the operations, we will be comfortably able because we do not have to invest all the money together but at certain stage if we feel that we need to take some bank borrowings we are free to do that, we are open to do that.

Company is a debt free company now and in case we need to leverage little bit, we will do at local levels. But going forward it is very clear that the company needs to focus on API and the capacities would increase, volumes would increase, sales would increase and as Mr. Modi, the Honorable Prime Minister wants so we want to become self reliant in APIs and more and more products will be manufactured in India. The second big plan for API which is still under the discussions is that Government of India had proposed to open three, four API parks wherein they will have special facilities, special research facilities and special treatment plants and other stuff.

So we have already applied for a site in the API Park which may be set up in Himachal, Haryana or may be in Punjab but we are a candidate there. Most likely it is coming down next to our site only in Himachal only. And once we get a site there so we will go for some intermediate plants wherein we can reduce our dependence on China and we can have more and more production in India and maybe we can manufacture all the intermediates what we buy and may be manufacture some more intermediates which some other companies are buying from China.

So that is I would say phase 2. May be we can add some intermediate plants here also and we have enough, we have 60 acres of land here at Baddi but as we go forward we have to take a call but overall position is that it is a very positive phase of API business now that government is also encouraging, market is also encouraging, people are looking for us. I would say there is no dearth of queries, people are throwing order left, right and center. Everybody wants business out of India. Everybody wants to work with Indian companies so we are very well placed. And we would like to congratulate all of you for your support here because now is the time that we should try to tighten our belts and see where do we go from here.

Coming to our second line of business which is devices. We discussed last time also that in the devices business we have been doing very well in the glucometers and in glucometers we are the leaders in glucometers in the country. We have sold around 4 lakhs meters, we have installed base and we have sold 450 million strips in the country and we have a large leadership here. 55% of our sales come from glucometers and BP monitors contribute only 16% but this quarter surprisingly BP monitors have done very well and we have grown at 57% other than the Oximeters and the thermometers.

Thermometers since digital thermometers is non-contact thermometers were launched for the first time and thermometer sale has gone up by almost 20 times but we think that this may be temporary but some demand is going to continue. With all the diagnostic devices in hand and the COVID challenge still in our head, so COVID is entering our homes everybody wants to keep Oximeter at home, everybody wants to keep a non-contact thermometer and now the next type is that we have launched a new device called Oxygen concentrator.

Oxygen concentrator you can keep it at home to whenever anybody has Oxygen problem or breathing problem or breathlessness, oxygen levels, if CO2 level is going down so oxygen concentrated. It is just plug and play and it start giving oxygen, you can directly start breathing oxygen. No extra equipment is required, no cylinder is required. You just take oxygen from the air it supplies concentrated oxygen to you between 93% to 95%.

So that is a new product. By launching oxygen concentrated indirectly we are entering into a respiratory line so this is good for home use and but tomorrow it can go to the hospital also. It is a 8kg model but a 10kg model is used for the hospitals. So diagnostic devices has got a very good future for us and going forward so we are banking heavily on the capacity expansion for domestic market even for export market and at some stage diagnostic market we may go for backward integration and here again we have all the same issue there we are discussing about API that we should make in India and be self depended.

So in diagnostics also there is lot of dependence on import, so at some stage we are trying to reduce our dependence on import and trying to do more and more things sitting in India. The last thing which has been very I would say consumer friendly and have been talk of the town that our company had launched almost 23 products in the COVID times in the hard time when people are not be able to move out of their houses so we have launched 23 products including hand sanitizers, hand rubs, hand wash, antibacterial spray, antibacterial soap, disinfectant solutions, face masks, gloves, Vitamin-C gummies, vitamins, Curcumin tablets. So there has been lot of things happening here in the OTC segment.

People have been very busy. We lost some sale in the lead brands and in the finished dosage also but we sold a good COVID range which is I would say out of the total revenues so almost 70% is coming out of the COVID range.

. So we are not so confident that how long COVID will work but we are sure that some of the products will maintain its continuity in the markets. Now people are getting used to washing hands, people are getting used to taking vitamins, multivitamins. So now we have recently launched this month only in the month of August only we have launched a product called Beautiful Nutriful, a beauty solution. It is for basically skin aging, anti-aging product. This is for beautiful skin.

So skin formats hydration glow and of course it reduces the fine line and pores. So this has been launched online. Now people are sitting home they want to have to take care of their skin and nothing hidden. Many people are doing the household work and ladies have to go to the kitchen, even men are also entering the kitchen. So everybody wants to take care of their skin. So this is a new solution we have launched. But it is not a part of the COVID, it is for betterment.

So now concluding on the financial numbers. We already discussed that the topline had been good, EBITDA had been good, 42% increase in EBITDA and cash profit 44%. Net profit is again 155%. Profit after tax 153% and the last thing is that the EPS of the company for the quarter has jumped from Rs. 0.17 to Rs. 0.43 per share, which like a jump of another 153%. It is same as the net profit or profit after tax.

So this is giving a good comfort to the overall thing that if topline has grown, profit has grown, earning per share has grown. So everybody in the system, everybody in the line is getting a positive feedback and positive recognition. And we are hopeful and comfortable that as we go forward we should be able to sustain these numbers because looking at the topline we are having in different quarter and for another few quarters, we do not know how long this COVID sentiments would remain but API business is certainly away from the COVID sentiment and domestic businesses are certainly related.

So we will continue focusing on the API and try to keep ourselves insulated from the market conditions. As we fully appreciate that the market and people are losing jobs and people are firing 50% manpower, 30% manpower but I am happy to share with you that we have started fresh recruitments both in our corporate office and even at the plant also.

There were restrictions regarding the contract labor and there were issues regarding people coming from outside, engineers moving in from the other states but all said and done we are increasing capacities, we are increasing the work is increasing, pressure increasing we need more and more people, we need more helping hands and we have started the hiring also. We have introduced senior position even at our corporate office to handle HR. So the company is growing and we are going from all angles. So the numbers are almost this I think so other than the numbers two, three things which we operated last quarter and I can touch base again.

That one of course is the expansion plan what we shared. Second is that there was a NCLT order on account of fixed deposit holders so we were supposed to finish everything within three months but some people were not able to respond quickly followed by this COVID scenario so we were advised that instead of closing the scheme on 31st March so we should extent it by another three, four months.

But now we had given 31st August till yesterday was the last date till any FD holder could write to us and claim money in place of their FD as per the NCLT order. So we have received a good number of representations and as per the schedule given by NCLT, those all payments will be cleared by the company and that issue will be behind us. So there is no pending issue in that. There is some preference capital of the banks which is still lying in our books and as you would see our balance sheet, many a time it is misleading. We always say that we are a debt free company but there is a preference capital which is technically not a debt but as per Indian accounting standard it is classified as a debt.

So many people have a question that what is this debt. So it is a preference capital owned by the banks. So technically it is not a debt but still it is lying as a liability in the book. So many banks have approached us to convert that into equity. It is around 60% of the banks we have got sanction but last few months there is not much movement because of this COVID and lockdown thing. There have been no personal meetings so within next three to six months' time I would say by end of the year we will be able to take a call that whether do we convert into equity or if the company has got sufficient cash flows so we may pay them back. So this thing is still I would say on our top of the agenda.

And the last thing is that last year around the same time there were some restrictions put by SEBI wherein the company cannot increase its capital or can approach market. So those restrictions are also getting over I think before the end of this month around 24th, 25th of this month. So I would say outer side within this month all the restrictions will be over, company will be able to approach the market and if at all we need to do that. And whatever the pending issues, all the three issues will be behind us.

And as we go forward I would again request everybody, please stay safe and do not try to jump the lines. COVID is going to stay here. We will have to take strict precautions and over to Mr. Shah and in case there is any questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Saurabh Jain from Edelweiss. Please go ahead.

Saurabh Jain: The first question is, what kind of a CAGR you can maintain in the upcoming for FY21 and FY22?

Sushil Suri: Last five years we had a CAGR of 15%. So we are comfortable that 15% is a bare minimum we will continue to add up the previous year also, but if we take on isolated basis and take the current few years' growth, I would say we may be between 20% to 25% on a year-to-year basis. But CAGR 15% is what we are expecting.

Saurabh Jain: Okay. That is absolutely fine. Number# 2 question is that last week you have got that three approval for Sitagliptin and other two. So what was the revenue from that? Can you throw the highlights?

Sushil Suri: Sitagliptin & Rivaroxaban are still under patent. And two approvals were received for Vildagliptin and Ursodeoxycholic. The patent of Vildagliptin had been expired in December' 2019. The makets supplies of Vildagliptin will be augmented/ effected towards the end of the financial yeas whereas Rivaroxaban will be effected the during the coming financial year.

Saurabh Jain: What was the revenue from that?

Sushil Suri: We have launched those products, but those are in early December. So I think this was a season for that, but after lockdown we have not been able to approach the market directly on those. But those are already, we have launched the API, but maybe if after this lockdown we may launch the finished dosage also. So Sitagliptin of course is still under patent. And another cardiac drug was Rivaroxaban. So there the patent has been extended by one year. So we have to only have Vildagliptin only.

Saurabh Jain: Okay. So how many ANDA are pending from your side?

Sushil Suri: We are a pure API company and we do not have ANDAs. We have even though DMF. We have 60 DMFs in the US market, US and Europe markets.

Saurabh Jain: So when it will get the approval?

Sushil Suri: DMFs do not need any approval. Looking at our DMF, if customer approaches us and we supply them the finished dosage, sorry we supply them the API. And all our supplies to US and Europe market are based on our DMF. And our USFDA is triggered once the customer files, customer approaches us for the supplies from over site. So it is basically for mostly for plant approvals. So all our facilities are approved now.

Our both Masulkhana, Baddi facilities are approved. And all our products are also approved. And whenever we have any new product for which our DMF is triggered, maybe we have a fresh inspection. But as on today there is nothing pending with authorities for our level.

Saurabh Jain: The last question is regarding about your Montelukast and this Atorvastatin. What was the revenue in this quarter from these two drugs?

Sushil Suri: We do not disclose the revenue number, but I can share with you the growth rate. And you would appreciate that our customer from a market perspective it is, I would say, Montelukast is around Rs. 150 crores and the Atorvastatin is around Rs. 90 crores.

Moderator: Thank you. The next question is from the line of Dinesh Kumar from I-Wealth Advisors. Please go ahead.

Dinesh Kumar: I have a couple of questions. One on the API side, we are supplying allergy and asthma and cholesterol control related APIs, right? So what are those segments' growth actually? Because when you say that we are growing faster than market, how that is happening? When you say 15%, 20%?

Sushil Suri: Very valid question. That, in the segment what we are growing, what we are growing is at an API level. Formulation for example, we might have grown at say 25%. If I have grown by 50% it means that we got a better market share than someone else in the API market. So we are, I would say, raw material supplier for the fit industry. So for example, if I am buying from one customer, if a customer is buying from two sources, maybe he gives 80% supplies to me and 20% supplies to someone else. Then some day we may get 50:50.

So maybe we got a better share. And secondly when we say we have grown, this growth is respective growth as compared to the last year. So, it is in terms of higher pricing, higher value and maybe better quality products because there is always a specification. US market may have a better specification. We may be selling the same thing in US market at $800 and in Europe market maybe $600 and in Bangladesh market maybe $250. So if they have all strategic thinking that how do we up sell our products and have more and more status specification so that we can get better pricing.

Dinesh Kumar: So in the APIs which we have, at least in the larger APIs which we mentioned so what is our typical market share in that?

Sushil Suri: In all the products where we are, Loratadine, Montelukast, Atorvastatin; Loratadine we are the largest player in the world after the innovator, which was Schering-Plough. So we are, I would say, when we say larger that does not mean that we got 99% share. Whether we got 50% share, 60% share, the second one is very lower than us. And we are the leaders. Montelukast again we are the largest manufacturer in the world in terms of the quantity. We have the largest capacities in the world.

Atorvastatin we are fourth or fifth in the market, because there are many companies who are doing Atorvastatin. Rosuvastatin again we are third or fourth. So whatever products we do we take a lead and follow the lead and try to grow. Unless there are few companies in a country who say that okay we are manufacturing 100 APIs. So we do not manufacture 100 APIs. We have few APIs, but we are leaders in there.

Dinesh Kumar: Okay, so what is the advantage we are bringing to the table so that we get 50% to 60% market share which is significant amount, right? That means you are doing significantly right, that is why clients are increasing their share to us?

Sushil Suri: Dinesh, what we get is, one is, one we get the market share. Second is we are able to lock in our customer. If we consistently supply them same material, for example when our USFDA happened in back in 1998, year 2000, 20 years ago, so we had one customer Novartis. So Novaratis is still my customer from last

22 years. So they have not changed the vendor. We have not changed anything. No doubt there is always a discussion about price and this and that. So it is just an example.

So when we have a long term relationship with our customer, they understand us better, we understand them better. And whatever development is coming on that product, whatever new regulations are coming, whatever improvements are coming, whatever research is happening, we all share everything with the customer. So it is not like selling a retail product at an online portal, buy it today or this is the rate, if you want you can buy, otherwise tomorrow you will get something else. So this is a very consistent business, long term business.

Dinesh Kumar: Okay, so that is how whenever we launch a new molecule, sorry a new API, how long will it take us for us to reach some substantial share where it can happen?

Sushil Suri: I would say that it takes almost five to seven years for any product to become sizeable. When we say sizeable means Rs. 25 crores to Rs. 30 crores. But product like Loratadine, Montelukast, which are Rs. 100 crores to Rs. 150 crores now, so these are like 10 to 15 years old products. So when we say many products touches like Rs. 100 crores, so then we say, internally we call it a blockbuster, because Rs. 100 crores is a benchmark.

But Rosuvastatin is another in the making which is around Rs. 50 crores. So we want all products to be in that category. And as we go forward every year, we are always trying to spot that, okay what is the product of the year and we try to focus on that product.

Dinesh Kumar: So incremental growth for us in the API business will be the new molecules which we launch? How that is penetrating more and we get valid share in the existing clients? That is the driver for us or it is because most of the larger molecules we are already very big market leader. Every client wants to have two sources, right? They do not want to say that 80% I will take it from one guy only because if something happens in Morepen, their business will get impacted?

Sushil Suri: So the way it is happening is that, like you said, everybody feels that whatever products we have and we are saturated, but the fact remains that there is always some scope, we have naturally limited resources, limited team, and the idea to expand the team, expand the market. So we are always, it is always, I would say more economical and profitable to increase the capacities of the existing products. And secondly is to do similar products.

And third in the new molecules. New molecules always take some time to develop because of the patent position. So maybe for example, Sitagliptin is expiring in 2023, and there is some product expiring next year, Rivaroxaban is expiring next year. So every year we have some expiry or the other happening. So but once that expiry of any product happens, then there is the exponential jump.

So we were directly getting a base of say Rs. 50 crores or Rs. 100 crores in year 1 or year 2 itself. So market also expands. When the product goes generics the market also expands. So I would say that there is no one formula which fits all. So every product has its own lifecycle.

And sometimes products like Loratadine, they are surviving since last 20 years. But similar product Desloratadine, that could not come even for three years. But now after seven, eight years, now Desloratadine is coming forward. So Paracetamol which is a, I would say, simple cheapest product, everybody knows Crocin, this is the largest selling drug. But it still sells. It is selling since last 50 years. So I would say that every product has a different marketing strategy. So we are in the game.

But replying specifically, where would the growth be coming from? I would say old molecules and the new molecules both taken together. And going forward new and new markets are opening up. Japan is opening up. And we are all discussing China. There is tension at the border. But we are exporting to China. No doubt we have some import, but we are exporting to China. So China is a huge big market. So if we are able to grab one or two molecules for China, so we are able to supply good volumes to them, at good price.

Dinesh Kumar: So basically what you are saying is, in the existing molecule itself, so after geographical opens up, it opens up market for us, right?

Sushil Suri: For example, sitting here, we do not understand Bangladesh and China; Bangladesh and Pakistan. In Pakistan we have got 800 customers. So it looks like 'small Pakistan, yes, what will happen', but once we go in we never know what sells. Somebody sometime, something clicks, and in one market it does not click in another market.

Dinesh Kumar: So then what is our capacity, means running capacity now? What is the capacity and what is the capacity utilization we are running?

Sushil Suri: Dinesh, capacity in pharmaceutical is very overlapping. So same reactors can be used for different products. But presently we are able to, I would say we are fully optimized. We run around 70% to 80% capacities on the existing reactors what we have got. We keep on adding more reactors and maybe some balancing equipment. But I would say that we have already exhausted everything, but we are still doing routine CAPEX Rs. 15 crores to Rs. 20 crores every year to maintain those capacities.

But the new plan what we have to add a new production blocks. When we add new production blocks then we have reactors and we have utilities and pipelines and services and all the engineering, generators, everything is added fresh so that we can double up or triple up our capacities. So as on today we have 70% to 80% utilization.

Dinesh Kumar: So we can go to 100% also, possible?

Sushil Suri: We can.

Dinesh Kumar: Can we go to 100% also? Is it possible?

Sushil Suri: Yes, look that is what I am saying. It is an overlapping thing. So technically whatever is happening is happening 100% only. But for example we are taking say, a batch of Atorvastatin which ran for seven days, so it is 100%, but for two days then there is a cleaning. Then may be some other product starts.

Maybe we have some pressing orders of fexofenadine. So at that stage there is a cleaning time, there is a break time, maybe there is a shortage of a raw materials, maybe there is some technical problem, maybe QC guy has not approved the product.

So sometime it takes time so technically there is a continuous process and continuous batch after batch. So it is 24-hour cycle. So company is always running at a 100%. But effective capacity comes lower because of certain, I would say, breakdown maybe you can call it, or I would say sometime the engineering guy want a stopover. So 70% to 80% is very safe to assume.

Dinesh Kumar: Means, when we are optimally running now basically, then for a next two years how the growth will come, 15% to 20% what you are guiding because if we do not have the capacity?

Sushil Suri: Yes, what I was telling that, we are adding, we are calling a routine CAPEX. Under the routine CAPEX we are upgrading the reactors. For example, if we have a reactor with a smaller capacity, a 3 KL reactor that is being upgraded to 5KL or 8KL. Maybe the team feel that we need a glass light reactor at certain place and that instead of a 5KL reactor we put an 8KL reactor. Maybe the capacity of the centrifuge is smaller. At some time, we feel that okay we are losing lot of solvents and we need a bigger recovery plant. So those are the things which you keep on doing in routine.

Dinesh Kumar: Okay, that will suffice us for 15% to 20% growth?

Sushil Suri: Yes, 15% to 20% CAGR is coming from that. And, whatever bottlenecks come, we keep solving the bottlenecks. And whatever we make any budgets or projections, that means the engineering guys have to stamp it, they have to agree. They have to rather say how much can they produce. And the target to the marketing team is whatever we produce that has to be sold. That is not the other way.

Dinesh Kumar: So sir, in the presentation, for the new capacity you have given some numbers that from a current level it will become this much units, means on a metric ton wise system?

Sushil Suri: I do not have the data with me presently.

Dinesh Kumar: Okay, this expansion would add 2,000 metric tons manufacturing capacity in addition to 3,000 metric tons capacity which we already have. But that means our capacity is 3,000 metric tons?

Sushil Suri: As on today it is 3,000 tons, but out of 3,000 tons we have to see which product is how much capacity. For example, there is one product, maybe it is just say $100 price and it may have a capacity of 1,200 tons. So I may not be producing that product, because that is not my high-yielding. So we want to produce products which are say $1,000 products. So we try to use that same capacity for other products.

Dinesh Kumar: Understood. So this capacity expansion will be?

Sushil Suri: For example, Paracetamol is only a single step process but it is only $5 item. So we do not want to waste our time and energy making Paracetamol so even though I may have a capacity. But I can use the same capacity of, because of the same reactor, the same other solvents and whatever things, to produce something which is more useful and more in demand. So we usually have multi-stage synthesis, like 5-stage, 8-stage, 24-stage, 11-stage. So the more complex the reaction, the better is the value additions.

Dinesh Kumar: Sir, this capacity addition which you are saying, Rs. 180 crores, so which will be over the next two years we will do? The investment will happen every quarter, it is like that, it does not happen like that. How that investment will happen?

Sushil Suri: Yes, once we have got requisite approvals, we will start the construction. So construction is going to take at least a year, year-and-a-half in making the building blocks. And side by side the machinery ordering will be started. And we hope that within two years everything will be fully functional. But from a capacity point of view, putting the whole capacities in function, maybe we have kept three years as a safe number. That in three years all the capacities will be functional.

Dinesh Kumar: So what will be the ATR, typically? What is the asset turnover can be there? Rs. 180 crores can generate how much in a peak?

Sushil Suri: Basically that is how this, depends on the KL capacity. That how much KLs of reactors we are adding. So these Rs. 180 crores are adding the 400 KL of reactors, 400 KL capacity. So 400 KL capacity say is yielding to two tons. So it is 1 kiloliter adds to 5 tons of the finished product, of the finished API. So if it is an intermediate, it may be little more. If it is multiphase synthesis, it may be little less.

Dinesh Kumar: Okay, sir there is no one off in our Q1 number, any overlap on a Q4 number came to Q1?

Sushil Suri: I would say there is. In March quarter we had lost some sale, which has certainly added up here.

Dinesh Kumar: How much it is?

Sushil Suri: Maybe Rs. 5 crores to Rs. 7 crores.

Dinesh Kumar: Okay, not substantial number?

Sushil Suri: Not substantial. And because many things spilled over here and there, and few people were, I mean there were too many things happening in March and April. So let us not discuss it. We are through with that.

Dinesh Kumar: My last question. Since we have, last four, five years we have done a phenomenal job in terms of sales, FY16 our sale was Rs. 450 crores, now we are running at run rate of Rs. 850 crores last year, FY20. But we have doubled our sales, but EBITDA it is absolute number it is more or less remained at the Rs. 60 crores run rate only. What are we missing in this? Because instead of operating leverage we are getting operative and deleveraging when the sales is going up? How to read that?

Sushil Suri: We were saying that the top line has increased, but EBITDA has.

Dinesh Kumar: Absolute EBITDA is same for the last five years?

Sushil Suri: So maybe I think it is a product mix at some stage. Maybe when we add new products we may have to sell cheaper, but as we stand now, I do not know specifically, but last few months or few quarters, so it is on the increasing side, but we can specifically study that because we have been adding new products and certainly to enter the new market.

Dinesh Kumar: So that is why we are sacrificing little bit in the margin side to enter into the client?

Sushil Suri: Sometime we have to do, for example, the diagnostics, if we launch glucometer, so if we want a 100% market share and we want to be a market leader, so practically I will not say that we have to give it at discounts. Sometimes we have to install the meter for free. But once we install the meter, then you get the supply of strips. It is like that printer and cartridge model.

Sell the meter and then you supply similarly in our OTC market now even during say COVID time we launched so many products, so the whole purpose is not to get profit here, the whole purpose to reach the market, be available in the market and then in the new molecules if we have been able to get a good traction, so it is now resulting and we are confident that coming forward and even during the running quarter, EBITDA numbers are seemingly very positive.

Dinesh Kumar: Okay because absolute when you say that product mix change, but on a segmental wise number, which we give it has more or less remained API at 55% only?

Sushil Suri: Right, but at least we got the market share now, we got the customers now so you would be able to see it now.

Dinesh Kumar: But B2B business is it possible to increase margin once you is it is possible to because they know in and out of our everything?

Sushil Suri: It is all demand and supply, during COVID time due to shortage, our raw material supply charge 30% to 40% increase in prices, freight was also four times, five times. So it is not a question of B2B and B2C, it is a question of demand and supply, so we are rightly placed now in the absence of this China story, India story is in demand, we are in demand.

Dinesh Kumar: So API margins are higher to us or it is the non-API business has higher margin to us?

Sushil Suri: For us API margins are higher because we operate in the regulated market.

Dinesh Kumar: So what you are saying is last four years we have utilized the API higher margin and we generated the diagnostic business from a Rs. 50 crores to Rs. 60 crores run rate we are doing Rs. 170 crores run rate now because it is a phenomenal number?

Sushil Suri: Even though practically all businesses are separate, but in case we club everything together, so naturally one business or the other is supporting each other, but as a company we have grown up and now you would see in the coming few quarters that diagnostic is coming as a big force. So we have been able to develop a good I would say standby business out of zero, because we are the only company in the country who are focused on diagnostics.

Moderator: Thank you. The next question is from the line of Vishal Upadhyay, who is an individual investor. Please go ahead.

Vishal Upadhyay: My first question is that as being equity shareholder, can I expect dividend from the upcoming quarter?

Sushil Suri: Sure Vishal, as equity shareholder we are all expecting dividend, but I do not know when would the board take that call, but after the clearance of the bank preference shares, may be this year next year so maybe I cannot commit the numbers indeed. But yes we are all positive and hopeful, once the company has got surplus cash flows, so certainly some dividend would be coming up, but no promise as on today.

Moderator: Thank you. The next question is from the line of Ramesh Kasmekar, who is an individual investor. Please go ahead.

Ramesh Kasmekar: I have basically three questions. One is you spoke a lot on the capacity. On your expansion capacities, which you expect to launch in next two or three years, I wanted to know whether you will be at present it appears that you have all multipurpose kind of a facility with a maybe common utility block. Have you examined as to whether the capacities utilization can go up if you have a dedicated facility for your blockbusters?

Because as you rightly said there is a lot of changeover time when you have multipurpose facilities and almost about 20% to 25% of the capacity is lost in the changeover? So that is one question and then as a sequence to this whether these will be implemented in stages like in case you have a dedicated facility maybe that is possible. But in case you have a multipurpose facility maybe it is not possible. So could you please throw some light on this?

Sushil Suri: Ramesh, I really appreciate that you are asking very intelligent question and I understand that you have some good trade knowledge and thank you for this. So I would say that certainly it is a no brainer that dedicated facilities are always more economical and more efficient, but to be paired with the plant team, so we have to see that first of all the product has to be sizeable. If we have a sizeable product like you said the blockbuster drug, so if it is a Rs. 100 crores, Rs. 150 crores product.

So at that stage we certainly would like to give a dedicated facility, so we have two to three products in that category. So then second is that the capital requirement. So far in last almost 18 years to 20 years, we have not done any major CAPEX, so now since we have our CAPEX plan, so while we certainly plan a multipurpose plant, but within multipurpose plant also there is a dedicated service line, there is a dedicated reactor and always when you say multipurpose it does not mean everything is multipurpose if say five reactors are dedicated to one product.

So they keep on doing the same product rather in case we have some problem somewhere so there are given support of the other team, but certainly we will evaluate this suggestion of yours and in case we can have more and more facilities of dedicated to for a particular product. So we may have to have smaller production blocks, now we have huge production blocks, which have 20 to 30 reactors, but sometime for example Sultamicillin we had antibiotic, antibiotic is on a separate, so it was a dedicated facility.

But it was not very economical because Sultamicillin orders were not regular, so sometimes we try to take out those odd things out that everything should be multipurpose so that we can adapt more and more products, but we leave these to the plant guys, but thank you for your suggestion we will certainly do this.

Ramesh Kasmekar: Yes, so is one, because you have some blockbusters and they are all lifestyle products like Montelukast, Loratadine and all that, these products have survived for a long time and they will continue to survive. So you might examine for these particular products because they must be already Rs. 100 crores plus. The second question is you have done a remarkable job and I am really amazed the way you have got into these medical devices and the pharmaceutical side of it.

The suggestion which I am, you can call it a suggestion or you can call it maybe kind of an idea. Would it make sense the company have a subsidiary or a subdivided company with two companies with a same exchange or shares and things like that, of course investment bankers will suggest you better.

I am a chartered accountant, but as a CFO I would think that would it make sense to have two units under the same Dr. Morepen brand, one API, another medical devices or pharmaceuticals? Because the valuations will change, the valuations in case of APIs, which is having a presence in regulated markets could be higher and of course the medical devices and pharmaceutical side including your OTC side would command definitely a different valuation, which could be much higher than what you are getting kind of a combined valuation now?

So it is only a kind of idea which came to my mind when I saw your performance, you have been very quick in putting new products there and may be they need some a gestation time by the time they actually fructify and reach a sizeable limit. But if you think of it from now in order to have a better focus, better capital management, whether would it make a sense to have, you must be having, you as on date you have two separate businesses in the same one business of Morepen.

What I am saying is if you have two companies, which will be valued by the market separately based on their performances and based on what is the historical valuation the market gives to pharmaceuticals and API may be it will enhance the shareholders value. I will leave it to you of course, I mean this is something which you need maybe a deeper study?

Sushil Suri: Thank you Ramesh, it is a certainly a wonderful idea and on the lighter side, I would say your idea is approved, wonderful done, we will implement it. Look I think this has been on the cards for last few years and we may spin off our diagnostic devices business into a separate company.

Ramesh Kasmekar: It is a great business and though the margins might be thin it is a consumable business and it could really take you places. That is what my personal view. When I saw your efforts in this quarter, they are amazing. The way you have launched the COVID range and all that maybe if you with the greater focus it could grow vertically that is what I feel?

Sushil Suri: No doubt, so we are evaluating these things and not for valuation perspective particularly but from operation perspective that diagnostic has its own future and devices is one thing which is missing in India, so we want to focus on it. We are already finding a gap here in the market so lot of R&D is going. We have opened R&D center for that also, but we are waiting for it to catch a critical mass and once it has a critical mass then it can survive as independent company. So in this we certainly come back and as a chartered accountant you would understand we had certain limitations and restrictions from SEBI, so we are lying low and just preparing for the deal I would say.

Moderator: Thank you. The next question is from Damodar Prasad Aggarwal from Madhav Trade and Finance. Please go ahead.

Damodar P. Aggarwal Mr. Suri, last year September you have passed a resolution for Rs. 3.7 crores equity shares to be allotted at Rs. 20 to the promoters, but due to SEBI regulations it was deferred. So now what are your plan, sir?

Sushil Suri: Since we had done last year SEBI had stopped, so I would say my lips are still tight.

Damodar P. Aggarwal but this year September it will be quashed, this will order will be exhausted?

Sushil Suri: We still have to wait for few more days and we will see that since the Rs. 20 price is no more available now but we will check with what are the overall factors and that time we were thinking that we will bring in equity in the company and we will pay the bankers. So we will check with the bankers what is the plan, but I would say that as on today till the time there is restrictions from the SEBI, so we will like to keep quiet on this topic. You will have to wait for another three to four weeks.

Damodar P. Aggarwal Okay, but we are very much optimistic sir.

Sushil Suri: Look company is doing good, everything is good, so we are all positive, Damodar Bhai.

Moderator: Thank you. Our next question is from the line of C. Srihari from PCS Securities. Please go ahead.

C. Srihari: My question is on the API front. Basically if you could please share what is the EBITDA margin for this division? And secondly as far as the CAPEX is concerned what is the kind of asset turn you would expect and will the EBITDA margin of that CAPEX be substantially more than the recent one?

Sushil Suri: Your question is one is EBITDA margins of the API business?

C. Srihari: That is right.

Sushil Suri: I will take out separately. We do not share the division wise EBITDA margins, but in general I will give you the range, so we do not give segment wise. So API EBITDA is between 19% to 20% and of course it is expected to go higher as we spend more and more on the new molecules. But in general API had been giving us a good results so this is as against typical I would say belief that many people believe that API is a low end business and finished dosage is a high end business.

But since we do high-end APIs so we can get same EBITDA in the APIs also may be now in the current year maybe it is a little more, higher than that also. When we would add more CAPEX, so these margins will multiple because the turnover will multiply and fixed expenses are not very high. So we are pretty comfortable and hopeful that may be this EBITDA may go up to 25%.

C. Srihari: And question I was thinking the three years kind of a timeline that you have given seems to be a bit conservative. Are you implementing it in phases or there are chances of project based in commission even earlier than that?

Sushil Suri: I think on ground it may take some time, but we are only concerned about our regulatory challenges and fronts. As on today government is technically encouraging that we should do it fast and single window clearance has come up within two months, but we do not know when we do we get environment clearance even though they say it is a state matter now earlier it was required from center. But we should always keep some margins looking at the approval system and Pharma is one line where we have lot of regulatory requirements, but had it been only an intermediate plant and no approvals required, we could have started within one year. So who knows when we start putting up the things on ground?

Depending on demand and supply, we may start early, but from a projection perspective we are keeping it under the carpet. We are keeping some cushions.

What you talked about routine CAPEX, in routine CAPEX we start everything within one month, within two months. We do not sometime take a shutdown more than two hours, so but because it is a running thing, but when I say it is a new plant, so certainly it is better to have a more and more plants.

C. Srihari: What is the implementation period you expect? Let us say once you get the clearances, how long will it take for you to commission these projects?

Sushil Suri: The plant guys has given one year is for the construction and ordering of the machinery and one-and-a-half year all installation completed and we will be doing all the trials and everything in the second half of the second year. So technically we are up and running, so when we say three years these whole plants will be running in three years.

Moderator: Thank you. The next question is from Chirag Patel, who is an individual investor. Please go ahead.

Chirag Patel: I have three questions. The first one is as earlier participant asked regarding that our turnover is increasing in the last three financial years, but EBITDA margins are not increasing, but if we look at the proportion of API contribution, it increased from 60 to 65 in some years. So as earlier you mentioned that in API we are getting a good margin by selecting a good API and all products within bucket. So just I want to understand where is the efficiency lacking or is there any area where we can do debottlenecking to increase margin further?

Sushil Suri: Certainly that is a very challenging and self introspection we have been doing, but as we shared that API certainly in general is good profiteering and making good margin, but certainly we are investing on CAPEX, we are investing on some other division and within API also we are trying to capture new markets, we are spending on the new markets and of course there is some I would say business development expenses, which are important which we do. We are spending on R&D, so we do not have to see any business on I would say short term or micro basis or on a quarterly basis. So once we are investing on R&D and R&D has a got a pipeline of 20 to 30 drugs.

So maybe we are not seeing that profit, but if today I say, today I have got Rs. 580 crores expansion because I have a product pipeline and tomorrow somebody comes from Russia market or comes from US market and they want particular specs we can give that because we have invested in QC, we have invested in R&D and as a conservative company we do not try to capitalize the expenses and show higher profit. We always try to expense out and it is better to have because we do not have any tax shelter, so it is better that whatever we have we should expense out and may be because there is some fluctuation there.

But if you observe last few quarters, so the profit and EBITDA of API is also altogether increasing. Now diagnostic is standing on its feet, finished dosages, now for example this last quarter, there was nothing much happening on finished dosage, so there were no marketing expense, there were no travel, there was nothing, so the profit is showing up.

Chirag Patel: Okay and my second question is on home diagnostic devices. Like whatever the product we have in our portfolio, what we are offering like glucometer, BP meter and any others, how many of them being manufactured by us and how many are just credit products?

Sushil Suri: We have capacity and skills to manufacture all the things including BP monitors, glucometers and stethoscopes, nebulizers, Oximeters, even the noncontact thermometers, but it all depends on our present capacities, our availability of raw materials, availability of manpower. But just to give an idea, glucometer is 100% manufactured, not now for the last three years, glucometer, glucometer strips. BP monitors we have started manufacturing, but till December it was imported, but now in the COVID times some imports are manufacturing because there are restriction on the manufacturing also.

Nebulizers we some manufacture in house, some we manufacture from a local source and we do the complete part and then we have stethoscopes, which we assemble in house, but some parts are manufactured from Delhi and Noida and then we have Oximeters, which is 100% in house with some import of parts from China. So basically it is product to product, case to case, time to time because we do not have huge capacities available suddenly at hand, so last year we expanded the capacities of diagnostic.

And there is a big regulation of coming for new medical devices rule according to which we have to have a certain type of coordinate and certain classification of the products in a certain way, so we can produce only the things where we are compliant with the government norms. But we are the only company who is making this effort to manufacture in India.

Chirag Patel: Like there is one company Poly Medicure. They are in surgical instruments, so do you have any plan to foray in to that apart from home diagnostic device?

Sushil Suri: Chirag, we have been doing all those things in the past and we were doing some hospital business with of course high-end business from blood banking and high technology of those devices for checking your hemoglobin, but we could see that we are not trained to handle hospital business and there is lot of red-tapism and there is lot I would say underhand dealings which we have to do at the hospital business, which we are not good at.

So we have smartly and silently left that business and we are focusing more with our consumer because Dr. Morepen is a brand, it is a B2C brand, but as far as I know they give a damn to the brand, they want their own lowest tender and we are not into tender business at all.

During this COVID time, we had lot of opportunities to launch these COVID vaccines and other drugs, but we could see that there is norms and so much tendering and so much kick backs going, so we decided not to enter into it.

Chirag Patel: Okay and as earlier participant suggested that to separate the diagnostic device business, so and you also welcomed that step. So by any timeline internally as you said since last three years you were discussing on this particular corporate action?

Sushil Suri: Yes, this is I would say an event, which is on the cards, but it really depends what critical mark do we have and what are the opportunities for that business to grow, but now since because of this COVID everything, I would say everybody is wearing different caps now, do I survive today, do I survive tomorrow, what will happen.

For example, this Oximeter, this was never in our agenda. Oximeter and this oxygen concentrator, noncontact thermometer these are needs of today, so we are naturally refiguring ourselves according to the new world, new normal and certainly devices are going to be a separate division someday and I would like to keep quiet there at what stage I do not know. Since it is a sensitive information, I would like to keep quiet.

Chirag Patel: Okay and any debt or capital raising plan, going forward?

Sushil Suri: Chirag, as on today thankfully we have enough cash accruals, but as we go forward and if we could find better opportunity for any CAPEX and in case we need to raise small debt, we can always raise that. We have a free balance sheet and it really depends on the market conditions. We took 20 years to get debt free, so we are in a way very happy to be debt free and we do not want to become a debt company again, but nevertheless it is very efficient to take a low cost debt, but we will see at appropriate time.

Moderator: Thank you. We have one last question in queue. We take the last question from the line of Ramesh Kasmekar, who is an individual investor. Please go ahead.

Ramesh Kasmekar: Suri sab, I forgot to mention one more thing. In India there are lot of bulkers capacities available, where they do give you the drug intermediates, let us say you have Montelukast you have four stages, so you have three stages, so you can get some of them manufactured on a principle to principle basis or even on loan license basis. Have you examined this option?

Maybe it requires separate supervisory and QC model in your quality control department, but as I understand sometimes it is worth, where you find that your costs are much lesser than the cost in a regulated kind of manufacturing capacity. You must have probably examined this, but if not there are number of such units are available, who are willing to do business on these?

Sushil Suri: Yes Ramesh, we are always happy to look at these opportunities and you rightly pointed out that it is a very dedicated effort and we need a separate team who can look at the quality. So as per the latest FDA norms and customer practices and audit practices all the vendors have to be approved. So if the vendor is so for KSM, key starting material or any key intermediate that vendor has to agree for audit. So the facility should be auditable, so most of our small friends here and there in our neighborhood, around our Himachal, Chandigarh area and lot of factories in Hyderabad.

So they technically are ready to supply a material at say "x" price, they will give you 10% discount, but they do not agree or admit for audit. So that is sometimes a restriction may be at some stage as a company we may say okay, we will upgrade your facilities and invest on that. But honestly we have not spent much time and resources on that, but yes it is a good suggestion that basically it is expanding your own capacities, but like you said sometimes it is cheaper to get material from these unorganized sector.

But I am sorry to say that unfortunately we cannot acquire from these unorganized sector, we want approved sources only. So if we want approved sources that has to come to our standard whether he does it or we do it.

Ramesh Kasmekar: Yes, I agree you have to have a dedicated kind of a team procurement and QC both combined?

Sushil Suri: And who has some budget also that in case they need to improve something, they are into add some systems, add some filters or add some whatever things, so we should be able to do that.

Ramesh Kasmekar: Yes, these are long term kind of things.

Sushil Suri: Yes, may be in the coming time when we are expanding capacities, so in our neighborhood areas we certainly do that and during this lockdown there have been many unfortunate incidents and many people are approaching us for some sort of collaboration. So certainly we are evaluating on individual basis, but I appreciate your open suggestion and certainly we need more good suggestions like this.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to Mr. Vastupal Shah for closing comments.

Vastupal Shah: Thank you everyone for joining the conference call of Morepen Laboratories Limited. If you have any queries, you can write to us at 'vastupal@kirinadvisors.com' and once more thank you everyone for joining the conference.

Sushil Suri: Thank you Mr. Shah. Thank you, all the shareholders.

Moderator: Thank you very much. On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.