



MOREPEN

Date: 20/02/2021

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 Investors and Analyst Conference Call on Results for Q3 -
FY 2020-2021**

Dear Sir/Madam,

Please find attached transcript of Investors and Analyst Conference Call organized on Thursday, 18th February, 2021 at 01.00 P.M. (IST) subsequent to declaration of unaudited standalone and consolidated financial results for the quarter and nine-months year ended 31st December, 2020.

Kindly take note of aforesaid into your 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
Q3 FY2021 Earnings Conference Call”

February 18, 2021



ANALYST: MR. VASTUPAL SHAH – KIRIN ADVISORS PRIVATE LIMITED

MANAGEMENT: MR. SUSHIL SURI – CHAIRMAN & MANAGING DIRECTOR - MOREPEN LABORATORIES LIMITED
MR. AJAY SHARMA – CHIEF FINANCIAL OFFICER - MOREPEN LABORATORIES LIMITED
MR. ASHU DUTT – ADVISOR - MOREPEN LABORATORIES LIMITED
MR. VIPUL KUMAR SRIVASTAVA – COMPANY SECRETARY - MOREPEN LABORATORIES LIMITED



*Morepen Laboratories Limited
February 18, 2021*

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2021 earnings Conference Call of Morepen Laboratories Limited hosted by Kirin Advisors. 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 and also the duration of the call will be 60 minutes. I now hand the conference over to Mr. Vastupal Shah from Kirin Advisors. Thank you and over to you!

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

Sushil Suri: Good afternoon. Thank you Vastu and welcome to all the prestigious shareholders for coming specifically to this call who have spared time. I know this is the third time we are meeting in this challenging time on the COVID, so thankfully thanks to the digital technologies we used to meet on the audio calls and video calls. So hope everybody is comfortable and safe at home. I am calling from Delhi, so Delhi the COVID is still reduced, major Kerala and Maharashtra still bad, so let us hope for the best.

So coming specifically to the agenda, so today we have to have just a quick running commentary of the quarterly results and understand the overall business vertical. So just to update you and I am sure that all of you have got the quarterly results and you have gone through, go through it, but just as a reminder, so quarterly results have been very good and the third quarter had been very phenomenal there is a 32% increase in the revenue and 64% increase in EBITDA, which is almost double the increase in the revenue resulting in 120% upside in the net profit after tax and of course the EPS has been almost three times from a Rs.0.50 EPS it has become Rs.1.56 for the nine months. So overall the results have been very good for the quarter and for the year say YTD, for the nine months also the revenues have been almost 32% up, EBITDA is 212% up and profit after tax is 120% up. So financials have been extremely good and as we see that all the numbers are going good, quarter-after-quarter this is the third consecutive quarter where our team have been able to perform much better than previous quarter, in all the three verticals APIs, diagnostics, and finished dosages have been doing very well and if you look at the overall growth for the quarter 32% sounds good, but I am happy to share that in nine months we have crossed the revenue what we did in last full year, last full year we had 862 Crores and company has

been able to do 909 Crores in the nine months and in the current quarter we have already exceeded 1000 Crores, so we are also making new milestone now month-after-month we are already in four digits.

Exports and domestic ratio remains almost same 39% export and 61% domestic for the overall company, both have been growing, domestic market have grown by 37% and exports have grown by 25% and of course company as a whole the company has been growing at a CAGR of 26%, which is phenomenal I would say rather outstanding depending upon how the markets have been performing and few of the areas have not been very good, but as a total company is growing at 26%.

Coming to the shares of the individual divisions and segment wise growth, so APIs still retains at 61%, and diagnostic devices is the one which have I would say done incredible performance in the nine months, quarter-after-quarter and has been growing extremely good. So diagnostic devices shares have gone up from 22% to 27% in the overall company, otherwise API remains same, diagnostic devices has increased. For the API export it is 69%. Category wise growth had also been good as I said that all verticals have been performing, API has grown by 25% from 131 Crores to 165 Crores and I am delighted to share diagnostic devices has grown by 100% almost double, so 42 Crores to 87 Crores and this is not only this quarter this has grown quarter-to-quarter, so overall in nine months diagnostic devices has grown by 66%. Within API all the products have been doing very well and in API again I am happy to share that in nine months we have far exceeded our own target and the last full year performance, last full year we have 474 Crores and in nine months we have done 511 Crores, 25% growth is already there in nine months and the whole quarter it is still pending, and of course similarly in export also, export performance in nine months is far exceeding the ex-performance in last full year, so I would say not only incredible it is outstanding the team have been performing very well and amazing results from all the continents US, Europe, Asia, South Africa, South America, so everywhere we have added new customers, we have added new markets, and in spite of the COVID, in spite of I would say so much restrictions, travels practically zero travels we have added 79 new customers in the international market and country wise target and continent wise everywhere all around we have been good. All four products have been growing exponentially and in January we got data for last full year. Our Loratadine market share has gone up to 58%, out of all the exports we have grown out of India Loratadine has 58% market share and similarly the Montelukast it has a 33% market share, these are the two lead products, which company has their all exports out of India with all single company I cannot name the companies but 33% is what our share is and similarly Atorvastatin has been growing exponentially 31% CAGR and then Rosuvastatin is growing at 32% CAGR,

we have been adding both in terms of customers and the markets and of course the financial numbers have been adding.

The other molecule, which are the new molecules have been bit slow because new product launches were restricted by our clients and we have been still able to maintain the same number. We know that there was lot of restrictions, our R&D people were working from home, QC labs are half working, half closed, but still during the nine months of COVID we have filed five new patents, we have filed nine drug master files, one IDL for China market and launched five new products. Now we have 129 patents to our credit 120 DMFs and 10 IDLs for China and 30 new products in our bouquet. The new project for the API is on its way and we had updated last time we got a single window clearance from the government on the main project, the environment clearance is still underway we are waiting for that.

Now coming to the diagnostic devices as I shared have been growing exponentially 104% growth in this quarter and overall 66%, last year we had done 168 Crores in devices now this quarter it is 225 Crores already in nine months, so 66% growth in nine months, so you can imagine where it is going to be, so unbelievable the way the markets are going. Product wise glucometer is 99% growth, BP monitor is 210% almost three times and everybody today is sitting in home using BP monitors and of course glucometers and nobody ever imagined that someday in life everybody will be talking oximeters and thermometers and BP monitors sitting at home I will come to it later. Thermometers have grown by 45%, nebulizers were 22%, glucometers retains at market share and I am proud to share that we have 45 lakh installation of the glucometers in the market and our total strips sold crossed 550 million strips, so 0.5 million strips we crossed in the last quarter so we keep on adding and in one quarter we saw 55 million strips and some people do test every day, some people do once in a month, some people do twice in a month, some people do four times a day about 55 million strips have been sold. So BP monitors, glucometers, nebulizers, all have been doing very good and finished dosage have been a bit tight because of the nonavailability of doctors and still hospitals are a bit scary to meet the MRs, so it maintains a 3% growth and similarly diagnostic devices and OTC range it maintains 4% growth.

Financial numbers we might have seen 32% growth in topline and 29% increase in expenses overall EBITDA has grown 64% as I shared that profit 120% up and EPS is 212% up and of course there are balance sheet ratios, which are all improving, they are having improvement in the monthly debtors, monthly turnover, monthly inventory turnover, interest coverage ratio because practically we are a zero debt company so there is much better interest coverage and interest coverage is 38 times because the interest component is very low, current ratio is also improving, so I am sure you have all this. I would like to

spend more time on the way forward, where the company is going and where would like you guys to look for the company and in case anybody has any more questions we can open up the question and answer session on the quarterly results.

Coming specifically to the overall guidance and overall performance the company has been doing, as we have noted that there were two key drivers of our growth, one of course is the API, which everywhere we have achieved number one or two position, Loratadine is number one, Montelukast is number one, Atorvastatin is number three or four, diagnostic devices we are number one in BP monitor, we are number one in glucometers and of course we are the only manufacturer, so all the products that we are doing we have a leadership and we strive for leadership in the other products similarly and this quarterly results showing a good 32% growth I would say just first milestone, just first lap we have completed, it is just a beginning that okay this is how the company is going to be there in the next few years, and as we go forward and we go away from this so I would take this only as a inflection point because API is a huge potential and a huge market, which recently you might be observing in the media that there is a bigger focus of government also coming to manufacture all the APIs in India and government is supporting the manufacturing of APIs in India and to a large extent through some schemes, which are performance linked incentive schemes so that is one of the opportunities, which companies may avail in certain products, but we are more into the latest and advanced molecules, but the fact that the government supporting the production in India so we are seeing that API is the next big thing which will happen, and which is already happening, we are already seeing the results in spite of the restrictions in marketing we are getting a good traction and around 40% increase and in nine months results have already grown more than the full year thing.

Second point we notice is that the diagnostic devices is the new buzzword consumers had so till the time COVID was not there or we were having a so-called normal life so nobody was even I would say interested to use a BP monitor and glucomonitor and there was a common tendency that occasionally you want to check your BP you will prefer to go to a doctor or maybe just going for a evening walk and he just head up to a doctor and get your BP check and if you have to check your sugars you will call a testing guy at home or go to a sugar lab or a testing lab, but COVID has now made and all of us have learned that how much important it is to have sugar levels in control and BP in control and not to mention the thermometers are being sold like the pens and pencils and one thermometer people are keeping three, four, five, six thermometers at home maybe one separate for the guard and separate for the maids and even the noncontact thermometers every shop, every showroom, every office is going for that. So this is how the life has changed and I am not saying that we could see it earlier, but we could see that point of care devices and home diagnostic is



*Morepen Laboratories Limited
February 18, 2021*

the future of the country and we started this division 10 years ago and now we are seeing that okay during the COVID time we have seen wonderful results, we have taken the leadership position and I would say as a well wisher of all the shareholders and with blessings of the God now we have been able to maintain a position in the market, we have got a brand, we have got a reach and the moment we say it is Dr. Morepen's BP monitor, Dr. Morepen's glucometer, or Dr. Morepen's thermometer or it is an oximeter it is a big surprise nobody thought of an oximeter nobody knew that what is this new animal in the town, now every house is having a oximeter, but I would still say it is not even the tip of the iceberg it is not even 1% or 2% of population, so you can imagine the market size it is going to be unbelievable and we do not see there it would not stop because everything would reach to every house in next one year, two year, three year time and God forbid any eventuality comes people want to be prepared and we wish everybody should be safe, but now all the kids are worried about their parents and parents are worried about their kids and everybody is worried about their kids' studies, so people are carrying so many devices with them, so this is a new market, which has come up. So these are the two growth drivers, which were there for the management and as we see forward these are named to be I would say the transformational pillars for the company, these are going to be I would say transformational engines for the company.

The API growth which the company was already doing we had already brand, but now since our new project has been approved by the single window player, which we were expecting it may take few years to do that, but now it has been approved because of the COVID there were more things to be done in a fast manner, so by March all the clearances we have promised and with that our plan to get into the bigger molecules while our plan to get into the bigger market is what the dream has been achieved, so the products pipeline that we have got, in the pipeline we have got 40 products and 15 products which we have identified as immediate say next five, to seven years expiring between 2025 to 2026 and one or two products going up to 2030-2031 also, there are 15 products and these 15 products they have a market price of \$40 billion to be precise \$42.199 billion by end of 2025 and we should share with you that market size we are operating now. The market size we are operating now is only \$4 billion and this \$4 billion market will become \$2.85 billion in the coming year so the products what we have these are old products and these are expiring, these are reducing in size and the new molecules which we want to do that is around \$40 billion, so we are multiplying our market at least by 15 times assuming that when the product expires, there is a drop in price and sometime the prices crash, but calculating everything in hand factoring all the factors, so we are hopeful and confident that even if we assume 2% to 3% market share so we are no far away from our billion dollar target, only API will become a billion dollar in the coming years looking at the market size

of the molecules, which are expiring, and the category of the molecule what we have now is more of a routine category and we have anti-allergic and asthmatic and of course Atorvastatin, Rosuvastatin, or cholesterol reducer, but more and more focus is going towards lifestyle diseases and diabetic and cardiac only. So five, six products we have in the diabetic range, which are primarily gliflozin and gliptin and then of course in the cardiac, cardiac side of course there are few products which are only for the cholesterol reduction or anything, but the big thing which is coming up is anticoagulants, so which prevent the coagulation of blood and those products have been moved even during the COVID also and many of you might know that post COVID and during COVID also people have lot of thickening of the blood so lot of anticoagulants were used, so we are happy to share that the new list of the products what is there with us I would not say this list anymore our R&D guys have already given up, so I am not disclosing the names particularly because these are all proprietary technologies and anything, so whatever product expires, but I can share with you at what time some of the products are expiring.

One product expiring in July 2022, another expired that is gliptin so another gliptin is expiring in August 2023 then March 2021 I would say just next month, one product expires in May 2023, so basically I would say it is all lined March 2025 then September 2022 and September 2026, June 2022 and there is one product in August 2029, so basically we have lined up the products and we have completed our research work and we have completed the process development and in some cases we have filed the drug master files and for all these 15 products we have between 50 to 75 to 80 customers already lined up on which we are already in touch because it takes two to three years for a customer to log in, approve the process, approve the samples and their internal regulatory approval, so this is I would say one big point which is going to transform a company from a \$4 billion market to a \$40 billion market in the coming five to seven years and of course starting this year itself because some of the products have already started one product which is expiring next year that the shipments have already started, in March which one product is expiring in 2022 the shipments have already started. So two products we are already doing good sales and because there are patent limitations so the product is sold commercially only once the patent is expired till that time we are able to sell only the R&D quantity. So that is one big I would say transformational thing for the company and second important point I think which we need to understand from the transformation of the company is the diagnostic devices. So this medical devices business which we started just as a new age self evaluation and self care new self care back in 2001-2002, so now after 20 years their license is going to be a lead thing and now it is going to be around 300 Crores this year 275 Crores, 300 Crores it has become a significant part and we are seeing the diagnostic devices not only I would say at Morepen only because we are the only manufacturer in India, but country as a whole

point of care devices is the one which has become the new leader for others and today we just have three four products whether it is BP, gluco, nebulizers and stethoscope, but point of care is a big market and another I would say 20 years each and everything is going to come into the point of care whether you have to maintain your cholesterol or there is any other complicated tasks, so nobody wants to stand in the queues in the hospitals and more and more things will become more handy and people will be using home testing and you might be knowing that whatever things we are talking for example if we have only 45 lakhs of glucometers this is only in big towns this is only in metros and some metros, if we have to go all over the country and look at the population size and look at the diabetic population so they only take another 20 years to install BP monitors and glucometers all over the country it is a huge thing and I am not saying that it is like that we have to build roads everywhere or we have to lay electrical cables everywhere, now that the simplicity of market with online marketing, with internet, with digital platforms available, with reach available, with the payment gateway available, with the digital I would say payment methods and market reach has also become easy and flexible and we have seen almost 100% surge in our online business also and of course the physical reach is also maybe increasing. So we are seeing the diagnostic devices is going to become a big driver and a big contributor in the future and in the coming time maybe three to five years this business itself is going to become a billion dollar and not only with the limited products what we have and of course we are going to increase the product basket so other than growing horizontally vertically also for example we are talking of glucometers today so meters as on today is just a reading, so maybe tomorrow you have digital devices, connected devices and connected devices can become something else, so we are seeing a big revolution happening in the diagnostic devices also, so these are the two major categories I would say the growth drivers or which is going to transform a company from the present size to the next level and the second point which I would like to share with you other than the transformation is how do we do the unlocking of the value for the shareholders and unlocking the value for our colleagues who have been waiting for long. We are trying to see okay as long as the company is growing, everybody is growing and everybody hopefully once we cover up our carry forward losses next year we may be able to have a clarity on the dividend policy because this year we are still out of I would say last three, four quarters we will be out of our carry forward losses, which are restricting us to distribute dividend, so next year we will have a dividend policy clear but how do we do that and two major things that we have to share with you one is that to unlock the value for the shareholders we are looking for some of our acting I would say extraordinary divisions, which are doing exceedingly well one is the diagnostic devices and of course keeping an eye on OTC Dr. Morepen and finished dosages so we want to shift respective businesses, which have a critical mark into a subsidiary and subsidiary of course will be 100% subsidiary of the company and at some

stage we can attract a separate category for that, we can have a separate key player and maybe in the next two to three years time maybe three to five years time we go for separate listing of those things and increase the value for the shareholders, which are there in the company, so diagnostic devices will see a big scope, finished dosages will see a big scope with the international exports and OTC brand as you all know Dr. Morepen is a beautiful brand and has got a very good customer reach to everywhere, so it is also a subsidiary, but we have not thought of bringing in a key player into that, so that is one thing which we want to do as we are unlocking the value for the shareholders and of course the total value of the company increases and all the shareholders get benefited.

Second thing is the new project for the API, which is coming up which I would say that which we are scaling up and this is going to scale the revenues not only by a few clients this is going to increase the revenue exponentially and as a part of the India story, as a part of the 5 trillion economy, which is coming so we have also the so-called consumer wave whether in terms of finished dosages or OTC and in terms of the diagnostic devices so they want to reset every home and we want to be there with all of you together and which one thing specifically which is not I would say a business point, but these days we are putting a lot of efforts to increasing our shareholder base and more particularly we are having regular contact with the institutional investors, analysts and brokerage houses, national and international global players, so we are in touch with more than 300 stakeholders and new stakeholders and close partners possible partners wherein company is sharing more and more information and that is the need of the hour, there is going to be lesser and lesser travel and we have to be more and more agile in information sharing and the transformation of the company to a digital scale, so not only extending internally also we are upgrading our system, we are upgrading our personal contact program, we are upgrading our HR system, we are upgrading our ERT, so everywhere more and more focus is happening in digital and we are going to upgrade the so-called the \$5 trillion India story and of course Made in India that is I think the broader point and in case there are any questions in the results or on the strategy we are here to answer that. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Mohit Gupta an Individual Investor. Please go ahead.

Mohit Gupta: What will be the topline of the company after expansion plan and the second question is because sometimes company has introduced drugs like and UDCA, Vildagliptin and Rivaroxaban. Is revenue started from these three drugs and when will we expect US FDA approval for these drugs?

Sushil Suri: First coming to the topline, the topline is expected to grow the way we are growing and I am not saying that we will be having every time 30%, 40% growth so that we will stay in same range and we are expecting actual growth quarter-to-quarter and year-to-year and once the new molecules the patent expiry starts so we will see some jumps also for example in 2022 some patent expires, in July 2023 some patents expires, so every year we will have some big jumps also, so the topline is going to grow exponentially the way we are discussing and the three products what you have mentioned and UDCA, Vildagliptin and Rivaroxaban. So Rivaroxaban and Vildagliptin are already commercialized and they are already sold in the market and UDCA we have not got any bigger response. For Rivaroxaban we have filed DMF and we are waiting for any approval anytime when the USFDA inspection starts because of the COVID there have not been many inspections, so at appropriate time whenever they plan to visit because Rivaroxaban the patent is still long so it is expiring, the patent expires in December 2020 it just expired last month so any time they can come for inspection. So that all products what we do, we will do USFDA and both our facilities Baddi and Masulkhana are USFDA approved, so we can add any product but certainly whenever FDA visits any facility so they do come for inspection.

Moderator: Thank you. The next question is from the line of Saurabh Bhutra from India Infoline Brokers. Please go ahead.

Saurabh Bhutra: My first question is your traveling expenses have come down can you throw the light on this in the traveling issues or something?

Sushil Suri: I will take it as a compliment because most of the time company's expenses increase travel expenses have come down, but there is nothing hidden and because of the COVID practically there have been zero business travel and only small little travel what is happening is only when our sales guys go and meet doctors in neighborhood towns that is also easily under sales and marketing expenses, so since there have been no travel, no international travel, no exhibitions and for six months there was a complete lockdown so even now the only travel which is happening is between factory to offices that too very limited, otherwise the travel worldwide, in a company with 2500 people on an average you can imagine 100 people are on travel so this is what we are going to expect it now.

Saurabh Bhutra: After this digitalization has come now into the picture so still the expenses will come down lower?

Sushil Suri: I would say it all depends that digitalization is mostly for more and more advantage, but maybe certain expenses may have been reduced like for example we have annual exhibition, which is called CPHI which happens in Europe then it happens in China then it

happens in Japan then it happens in India maybe in some of five, six exhibitions we may not go everywhere, the way it happens in Europe we may go to Europe, but last year the Europe thing did not happen because it happens around Diwali so it happened online, so it happened online maybe next year again it happens online, but being there for the market, if markets are opening customers are coming certainly we will go, but Europe has been bad for the last few months, but we hope that by September, October things should improve and we may have it, but otherwise there will be reduction your guessing is right through zoom calls and other things so we will have a better utilization.

Saurabh Bhutra: Can you throw light on the finance cost because your finance cost has been increased because of the preferential hold, so is this finance cost has been reflected fully?

Sushil Suri: Sir actually finance cost is primarily these are small internal either the so called weaker loans or we have a small interest on overdraft, we do not have any working capital limits, we do not have any term loans pending, so we have fixed deposits in the banks and again actually the bank offers some OD limits so you pay 1% extra and you get that OD, but as per accounting standard so we had to provide interest separate and income separate so that is the only portion that you see in the finance cost, but otherwise we are a zero debt company and we do not have any loans and if there is a small increase maybe the OD has been utilized or maybe there is a weaker loan that is a small thing and our interest coverage ratio is 40 times and as far as dividend is concerned so that is still not payable because the company has carry forward losses and even that will not come on finance cost it would go below the line because of dividend.

Saurabh Bhutra: You have said in the remarks that you will allow the value for the shareholder I wanted to understand on this part will you segment the API business and devices business if I am correct?

Sushil Suri: The devices is what we have already got approval from the Board because of the separate set of business needs separate skill sets in devices and finished dosages, but API as on today the plan is to name the main company, but we have not decided the route because we will be needing expert guidance on that, that what are the legal procedures so do we go for demerger, do we go for subsidiary, but whatever happens it will be 100% under the same company and under the same stakeholders.

Saurabh Bhutra: You have said that some of the patents will expire in the coming years or in the coming months, what is your market share that you can capture after this patents expires?

Sushil Suri: Usually the market share is already in process, but in the coming three to five years we have not kept more than 2% to 3% market share, so which is good enough for us and because of the present products we have that 50% share or 30% share, but actually when we launch a new product it will be start small so we are planning only very small share because not every company launches basically when you say market share we are talking market share is the total list, now the billion dollar product where we will be 20, 30 Crores that is 1% that is not even 1% billion dollar is 7000 Crores even if I do 60, 70 Crores so that is 1%, so that slowly, slowly go back.

Moderator: Thank you. The next question is from the line of Chirag from Aadinath. Please go ahead.

Chirag: Sir I have a few questions, like in API we have concentration on four main major items so later on any other area which we are trying to enter into?

Sushil Suri: Yes, Chirag as I shared that we are focusing more on the lifestyle clinical diseases, which includes diabetic, cardiac and antidepressants, so it is I would not say uniformly distributed but it is still 80% cardiac and diabetic, so antidepressants is the line, which we are entering new because basically the whole idea is that these are the drugs, which are repeatedly used, if you have one diabetic customer that is like a customer for rest of the life similarly the cardiac if you start taking one medicine you will continue taking rest of the life, so we are focusing on those products and those also the new molecules and the new range which is coming up and the new segments which are coming up, so these are the three categories and we already have a list of around 15 products and another 15 products, which are under patents, so we will have a good basket of 30, 40 products.

Chirag: When we expect these new products will come on the retail counter?

Sushil Suri: These are already there for example I told Rivaroxaban expired in December earlier it was expiring in December 2019 then it expired in December 2020 and there is another product Sitagliptin that is expiring in July 2022, Linagliptin expiring in 2023, so basically Linagliptin is already expired, so these are different products expiring on different dates and we have scheduled our production, capacity, plants, technologies, steel, people, everything according to that and I would say we have got amazing R&D team they have been able to do everything all in time so they are happy with the schedule.

Chirag: Into diagnostic segment I want some more information like are we planning to launch any other product other than what we are currently distributing and also what time one can expect the completing house manufacturing of this diagnostic devices?

Sushil Suri: Good Chirag, so first of all I must share the view that we are already manufacturers for the last four years, we are manufacturing all the glucometers in-house, we are manufacturing the strips in-house and we are going to start the BP monitors in the next quarter, we were supposed to do it in June, July last year but because of COVID restrictions and new appointments and then powers, so all our diagnostic devices are in-house and second point is that we hope that devices we are sharing the names, which are important and make the volume and we have the stethoscopes and we have other small products, which do not add much value, but as I shared with you that our focus is on lifestyle chemical diseases, so naturally we are not looking for things, which are not used very regularly, so we are looking for products which we use regularly and for example now this oximeter nobody thought that oximeter will be required at every home now we can see oximeter yes we will do oximeters for the last two years but we are hardly selling 1000, 2000 pieces in a year, now people need 10000 oximeters every month so we do not restrict that, so we are going to add up as the things go up and we do not want the dependence on import and government of India and specifically this Aatma Nirbhar Bharat program that is initiated by Modi Ji, so we are very clear that we have to focus more and more indigenization, so we will keep on adding products as and when we feel say comfortable in the production level and the second is that there also we are looking for big expansion and the time when it is converted into a separate subsidiary you can maybe invite some other partners for growth and maybe we will take it to the next level.

Chirag: Okay sir thank you.

Moderator: Thank you. The next question is from the line of Kunal Shah from Money Matters. Please go ahead.

Kunal Shah: Afternoon Sir. Abhi jo aapki results aaye hai usmain finished goods, work in progress and stock in trade main significant jump hua hai. Kya aap uske baare main bta paayenge?

Sushil Suri: This is primarily because of some work in progress where some batching are in progress and the delivery has not gone because of any particular reason, so you can see last quarter in September quarter last few days and few weeks the trade was more the inventory had gone down, so large the inventory has gone up those way we are building a stock because in December particularly the stocks go up because in January the China is closed February 6 is so called the China New Year so they stop shipment from January 15, 2021 onwards, so then they reopen only in the middle of February and sometime the shipment starts at the end of February so we keep building the stocks and inventory and rather we have now gained this factory so adding this inventory. Last year we suffered a huge thing because December

stocks were expiring and China also closed in January, February and March so this time we are building up inventory and now because of COVID everybody is scared of everything so we are keeping the inventory, but overall inventory turnover has gone up when we are turning them into five times as compared to four times last year.

Kunal Shah: Thank you very much.

Moderator: Thank you. The next question is from the line of Safal Shetty from OLMO Capital. Please go ahead.

Safal Shetty: In your press release I read that you are spending about 170 Crores on capital what would be the additional revenue coming out of it that is the first question and second would be what are the approximate R&D expenses to sales?

Sushil Suri: So the additional revenue is already a part of the growth, which we are discussing 25%, 30% so of course the total value expected is around 4000 Crores in five years, in the fifth year 2025 it is there in our investor presentation, but otherwise while we are building growth so it is not that one find a positive start and will have double the sales because the market takes time, customer takes time so this capacity will also take time for everything to restart and started, so everything they have to start together, so to give us a 25%, 30% growth which we are projecting, so we will be able to utilize this plant simultaneously and R&D expenditure is I do not have the details handy with me and maybe if you can drop us e-mail we will send it to you.

Safal Shetty: Looking for an approximate number sir not the exact.

Sushil Suri: Ajay we have the numbers?

Ajay Sharma: Yes, in fact our R&D spend has been quite benign at this time.

Sushil Suri: Most of the time we put at the revenue only so we do not have that special classification into R&D so we try to expense out everything, many of the companies sometime has a practice of capitalizing the R&D expenses and treating it separately so we try to expense out whatever is happening it is a current year expense.

Ajay Sharma: Yes, sir and purely we are increasing this expenditure in quarter-on-quarter basis.

Safal Shetty: Understood thank you Sir.

Moderator: Thank you. The next question is from the line of Damodar Agarwal from Madhav Trade & Finance. Please go ahead.

Damodar Agarwal: My question is preferential issue of warrants you have given what is the status of that?

Sushil Suri: We are working on those and we are clear of the guidelines and the timelines and we know that before March we have to complete a certain percentage of the conversion so we will be able to do that and since it is a forward looking statement at the moment if we complete the regulatory approvals we can announce it, stock exchange first. We will come to know shortly.

Moderator: Thank you. The next question is from the line of Kanav Nayyar an Individual Investor. Please go ahead.

Kanav Nayyar: Investing activities has always been negative for the past 10 years?

Sushil Suri: The only investment what we have as a company into our subsidiary Dr. Morepen, so Dr. Morepen is actually a brand so we again as a conservative company and with some practice we do not capitalize our expenses and we do not capitalize the goodwill, so Dr. Morepen brand itself has a huge value and are not putting any numbers maybe they value 1000 Crores is not in the books it is we still take profit and loss account, the profit and loss account is showing a negative value so we say okay this is what it is, but maybe at appropriate time once we capitalize the goodwill or we do the brand value and actually we were discussing when we do the unlocking of the share value so Dr. Morepen itself is a big thing and that is an upside of investment when it come, but that would come only when we sell it or being a investment partner or go for IPO so that time we would see an upside, so we are a bit conservative we do not want to expose this value when we keep low-key that is the only investment we have and you know Dr. Morepen this is a household name now all over the world.

Kanav Nayyar: Alright, thank you.

Moderator: Thank you. The next question is from the line of Junaid Sayeed an individual Investor. Please go ahead.

Junaid Sayeed: I just want to check that now since we have seen that recently nureca has come out and is 40 times oversubscribed for these devices do not you think it is a right time instead of wasting time for future to come out with the public issue of all of whatever you are deciding for that for the devices do not you think it is a good thing I think Morepen is 10 times better

than that company and I want to find out to like what is the contribution of oxygen concentrator, are you started your own or you are just assembling and selling it?

Sushil Suri: I will take first your main point that why do not we do an IPO tomorrow yes I would also like to do, but first I am already a listed company and there are procedures to add it off to a separate company and that company can go for IPO so of course market forces are compelling today and we were waiting for the critical mark and now we have the critical mark in hand and we have already taken the board approval and at appropriate time shareholder approval will be required we can do that and we like to use it as fast as possible thank you for sharing your thoughts and oxygen concentrator is one more product, which we launched in September quarter and we had only entry supply we cannot made it out it was imported and it was government of India that pass on imported, but because of the restricted supplying we could not expand that market very big because it is of large volume also and particularly in northern India because of reduction of COVID cases so we do not see that as a major product but it is still among the top seven, eight products.

Junaid Sayeed: The other thing I want to ask is like what maybe the reason like all API shares have gone five times, ten times and our share is not performing at all what maybe the investors concern like?

Sushil Suri: I can comment more in the operation part certainly not in the market part, but you will see that in last year same time we were sitting on a EPS of almost Rs.0.45, Rs.0.50 so now we are at EPS of around Rs.1.5 for nine months, for one year you can see it is around Rs.2 deducted and I have to multiply it with a fee so where it should be that you are right that next year we are looking for more and more institutional participation and we are looking for more and more brokerage houses to write a report of this and there is a lot of IR effort, which is happening these days and last 20 years company had been paying our own liabilities, increasing the balance sheets and I would say becoming to trying to be a debt free company so fortunately now all this COVID scenario and everything because we had no debt and we had no compulsion, we had no I would say bondages so we have been able to do very well because all our cash flows we were seeing and we have been able to do very well.

Moderator: Thank you. The next question is from the line of Hitesh Sharma from iSimplify. Please go ahead.

Hitesh Sharma: I just wanted to know like the finance cost has gone up drastically as compared to the last quarter it has gone up from 128 to 126?

- Sushil Suri:** So Ajay Ji would you like to answer that question?
- Ajay Sharma:** Part of the answer you have already given, primarily it is including interest on some car loans and some OD facility, which we have taken from the banks and part of this comprises of the interest component, which we have paid to the FD holders during the year so because in this quarter.
- Hitesh Sharma:** That is being normal last year as well, why it has increased by...
- Ajay Sharma:** I am just coming to that. We have paid to FD holders during this quarter a large number so the part of the cost, which belongs to this financial year has come in this quarter which is around 70 lakhs so that is probably the reason increase in this finance cost so next quarter it would be nominal.
- Sushil Suri:** It is only one time and it is very small figure because otherwise there are no other debts.
- Moderator:** Thank you. Ladies and gentlemen due to time constraint that was the last question for today. I would now like to handover the conference to Mr. Vastupal Shah for closing comments.
- Vastupal Shah:** Thanks everyone for joining the conference call of Morepen Laboratories Limited. If you have any questions regarding the company and the result you can write us at investors@morepen.com and thanks all for joining in.
- Sushil Suri:** Thank you very much.
- Ajay Sharma:** Thank you so much.
- Moderator:** Thank you. On behalf of Kirin Advisors that concludes this conference. Thank you for joining us and you may now disconnect your lines.