



MOREPEN



Date: 03/07/2020

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Subject: Transcript of Investors and Analyst Conference Call on Results for Q4 FY 2019-2020

Dear Sir/Madam,

Please find attached transcript of Investors and Analyst Conference Call organised on Monday, 29th June, 2020 at 12.00 Noon (IST) subsequent to declaration of Audited Financial Results for the quarter and year ended 31st March, 2020.

This is for your information and records.

Thanking you.

Yours faithfully,

For Morepen Laboratories Limited

VIPUL
KUMAR
SRIVASTAVA
VA

Digitally signed
by VIPUL KUMAR
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**Vipul Kumar Srivastava
Company Secretary**

Encl. as above.

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“Morepen Laboratories Limited Q4 FY2020
Earnings Conference Call”

June 29, 2020



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**

Moderator: Ladies and gentlemen, good day and welcome to Morepen Laboratories Limited Q4 FY2020 earnings Conference Call hosted by Kirin Advisors Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. 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 and Mr. Ajay Sharma, CFO of the company. Sushil Sir, over to you!

Sushil Suri: Thank you Mr. Shah and thank you to all the investors who have joined online. I am sure many people are still joining. First of all, we must share our feelings with you that we are in lockdown for so long and I hope you guys are safe and families are safe, your loved ones are safe and my general suggestion is please stay safe, do not try to unlock yourself whatever we are doing we have all been doing for one common call that we save our lives. We have all gone through challenging time in the last few months and I think we did not meet in the quarter after December also we are chatting after longtime. I would just like to share with you the feelings which we all are going through in this troubled time difficult times, but thankfully as a pharma company we had lot more responsibilities, than staying home. I would like to share that your company had been working all the four months rather from March onwards, mid-March onwards to fight whatever little battle we can at our end and except for one day when we had a Janata curfew when everything was closed, we had not closed the factory even for one day except may be small little plus minus one shift, half shift but just to

share with you that we had been working all along to keep up the factories open, for the welfare of all stake holder at large and welfare our customers, patient and all the medical fraternity which we are part of. So just happy to share that as we stand today all over the factories are working, I would say “100%”. I mean, there may be some things which are not functional because of the lockdown in certain areas but manpower has been arrived and all people are on board except few senior people who are still working from home in the factory. So we had difficult times in the month of March, April, May, in the June it started opening up and I would like to share that since our plants are in Himachal, so Himachal had been very protective and very few cases in Himachal and our staff and all the other senior members they come from neighboring states which is Punjab, Chandigarh, Haryana and if you know the area it is Chandigarh, Panchkula, Kalka. Our plants are in Baddi and Masulkhana. So we had some difficulty, usual difficulty from bringing in people, staff buses were not permitted and you might be hearing a lot about worker problem, migration problem thankfully there was nothing like this for us in the Himachal. Most of our workers are local and they are based to Himachal only so they could walk down to the factories or through cycles or bikes but we had problem for the staff but from May onwards the staff buses been allowed on a selected basis. In June, they have given permit for our 10 buses and 20 vehicles cars and vans and Innova and personal vehicles so now we are I would say 80% to 90% functional, everything is okay and staff is available and we are out of that so called turbulent times which we were going through. We still have issues like the buses, our capacity is only half, we have to maintain the social distancing, we cannot have buses to the full capacity and every bus is having limited number of people with the list attached and we have to go for thermal checkup of temperature and then social distancing, we have to maintain all the norms at the factory also but it is part of life and this is the new norm or new normal which we all are going through, so just to assure you that

everything is okay, normal and we had been in a difficult time, but I would say not difficult but challenging time we have gone through that, so hope you guys are also comfortable and we should keep spirit up whatever happens. Our Delhi office and corporate office are still not open and we are still trying to keep so called social distancing. Our warehouses are working and dispatches are going, online dispatches are going so no pressure from that point of view.

Now coming specifically to the quarter which has gone by which is March quarter, it was not a COVID quarter per se, but I think the last two week itself has disturbed overall game and you would appreciate as the pharma industry and most of the other industry there is something like a billing cycle. There is production cycle where our batches come and finished toward the end of the month usually in the third, fourth week and our billing cycle which operates on the end of month, so most of the shipments are dispatched usually in the last week and rather I would say sometime even 30%-40% sales are done on the last day if it is does not happen to be a weekend. So just to share with you the numbers which already have been circulated to you, you have got a copy of the press release, investor presentation is already on board, it is already there in the website and it had been circulated in the stock exchanges. I hope you guys have gone through that, but I will just give you internal view where we were and what has happened because we got this sudden impact of the COVID.

So the company as a whole for the nine months we were growing at 18% and we were expecting that we will close the year at 20% growth and March quarter was expected to be good, but it fine so in the March quarter we have degrown by 5% for reasons you all know. So our top line has which was last year March quarter was Rs. 219 Crores so we were expecting anywhere between 228 Crores to 230 Crores but we had to close 208 Crores because

last minute I would say, all shipments were held up domestic, export all flights were frozen, inputs were frozen, outgoing flights were frozen. Still, I think on March 30 to March 31 some domestic dispatches could go, even one or two export shipments could leave. But the effect was that we had a accumulate inventory and there was a stop of flow of the debtors. But still, we have been able to manage the show and to support government's effort for the complete lockdown we also stopped the dispatches, so we completed whatever batches were in process. There was a difficulty in transport, local transport, highway transport, getting incoming flights, outgoing flights, getting material from China, getting material from Europe. It was extremely difficult because there was no passenger flights only cargo flights were there and cargo flights were also restricted, but thankfully everything is behind us now the flights are operational but the flights charges has gone up, freight had gone up because of the limited flights, the freight charging have gone up cost of production has gone up but we will live with that. It is the part of the life, we will go through that.

So coming to the numbers, against an annual number of Rs. 772 Crores last year we have clocked at Rs. 862 Crores which is an increase of 11.7%, which was I would say, if we have gone at same speed we could have been may be up to 20%, but we are happy with 11% now. Whatever has happened because, there is no physical loss of the goods, our goods were in pipeline in the process so the same goods will be dispatched in the next quarter or they are having dispatched in the next quarter, so there is a no physical loss to the company per se. In some sectors there is a slowdown which we will come to. Now if you go sector wise, in exports we have grown 10%, domestic we have grown 12%, 11.7% in the growth in spite of one bad patch. Within the API business which is our core business and constitutes around 56% of the company, company turnover over, so we were growing at 35% till December, this is for the nine months so it is 25%, 35%

for domestic, 22% more exports, so here we had major drawback, export shipments are stopped and we had 16% drop in the fourth quarter in one month itself rather against Rs. 95 Crore exports in the previous quarter we had only Rs. 79 which was expected to be more than Rs. 100 crores, so I think this is where the major loss we lost some 20 to 25 Crores top line which has been recovered in the next month, some orders might have been lost, but it is fine.

On the domestic front we gained some momentum against Rs. 30 Crores we did Rs. 33 Crores, but overall domestic business has survived and we had 28% growth in the domestic sector also. Overall API has grown by 15% and this certainly will recover much better. We will be able to gain the growth what we were doing earlier also. Till nine months we were at 25% growth so we are hopeful if not 25% may be 22%-23% somewhere between the same ranges we will be able to do that. Diagnostic is one sector, the diagnostic devices where we had BP monitor, glucometer, thermometer, non-contact thermometer, we launched so this is where there was not any effect, so there was not much impact I would say. In the last quarter we had rather a better sale not any COVID product but in general we had more sale of glucometers and BP meters and we as a division as whole it had grown by 20%, 20.46%, so this is good. Then there is a slowdown in finished dosages at both level, in the factory where we have contract manufacturing and private label. And there even till December it was degrowing, it had 6% degrowth but in this quarter In March quarter it has degrown at 40% which is a big loss so we have lost a turnover of around Rs. 20 Crore here also in the quarter, so which I think is perhaps loss of sale which we will not recover because the medical services are still struggling, the OPD facility were closed, many of the clinics were closed, doctors are still not entertaining medical reps, patients are not going to the doctor, they do not want to crowd, doctors also do not want, some doctors are old they have not

even opened the clinic, so this may take some time and this is actual loss of sale which is not in case of API. Finished dosage in the branding segment we were growing at 21% but in the last quarter we have grown only by 9% so overall 19%, so net-net if you see we have degrown in the generic business which is not a very high value, but strategically also we wanted not to focus there but otherwise also the market is also not supporting.

Then if we go to the product wise category so in the API business some products are doing good some products have fared very well, for example Montelukast was growing at 36% for nine months, but in the last quarter March quarter we were not able to ship the goods so we have degrown overall 18% growth. Atorvastatin was growing at 46% but last quarter again was negative so overall 24%, so I would say some gain, some losses. Overall 15% growth in the API, but domestic business has grown very well, in domestic business, Atorvastatin has almost 163% growth in nine months, 93% growth in the year as a whole. Then new molecules have shown very good growth in a year as a whole 119% growth. Some gain, some losses, but overall we are happy, diagnostics I shared with you.

Coming to the Dr. Morepen which is our OTC brand, they are our normal bread & butter, they were all stuck up in quarter ending March and only growth was coming was from grooming business where we have personal care. But overall Dr. Morepen we have grown by 18% and company as a whole we have grown by 11%. Those are numbers, but beyond numbers what we see is two things that while this COVID thing was happening and I shared with you that company had been going through different challenges so we have been able to find the new business model which is primarily, I would say COVID care, or may be COVID essentials. So in the month of March itself when the lockdown was already happening in China and India was still thinking so we had started working, or rather preparing ourselves in

the month of March itself we had launched our sanitizer which was alcohol based sanitizer 70% alcohol and we had done a good sales even though other sales were not there for other products but even during the lockdown about 10 days – 15 days, last 10 days also we were able to sell some of the sanitizer which we had just started manufacturing and outsourcing also but that was just a start but to share with you that after last three months including up to June we have launched more than 20 products rather 23 products of different ranges and variations for the COVID care, COVID essential we call it. So we have hand sanitizers to begin with, then hand sanitizer gel then there is a rub, then there is a gel, then there is a hand wash, hand wash is like typical Dettol hand wash or typical outer soap hand wash but antibacterial property, and then our Burnol brand has got a antiseptic solutions which is a typical like antiseptic solution we had been using that at home that Dettol that kind of a thing so it is available in 100 ml, 200 ml, 500 ml and Burnol had also come up with the medicated soap so these are all in different sizes available like- industrial pack, one liter pack, 5 liter pack so whatever is the customer requirement coming up into the market. So because even though we say that this so called Corona may stay or may not stay, but it look like for another six months we have to keep these habits on and maybe we develop these habits as permanent habits so we will have to disinfect our premises, we have to disinfect our office space, factory, gates, handles, so we have a disinfected spray. And you might be hearing that everybody in the world is talking immunity, immunity, immunity, so we have our Dr. Morepen Chyavanprash which has been launched, Vitamin C, we had already a brand called daily supplements and we have also Vitamin C candies, we have our own C-Candies so we have launched Vitamin C candies, then haldi capsules for adults and for the kids and then a complete range of masks. N95 masks, KN95 masks, two ply, three ply masks and then gloves, nitrile gloves which are specially powder free gloves, then face shield. All these things have been launched in last two or three months.

Our team had been very busy in spite of the lockdown. People have been working from home and they have been chasing the vendor, chasing the factories, chasing the transporters and we could imagine it is very difficult to get raw materials during the lockdown some areas are in red zone so in spite of the extreme situation, our people have been able to bring about so many products on the consumer front. On the digital front and on the diagnostic front, we have launched non-contact thermometers which is mainly for the COVID care but this is going to be new norm that whatever place, whatever factory whatever institutions we visit so checking of temperature is going to be a new norm, Oximeter we already had in the range so that we had to step up productions so it is still taking some time we have not been able to ramp up our production because some of the sources are domestic and are not operational. But all fair and done we are happy, we have good range of COVID care products which is a new range which we have done. Some products will survive, some products will go and some more products will come as we talk more and more new molecules are coming. If you look at the online ad or watch TV for some time most of the ads which are coming are only related to the health things like immunity, hand wash, sanitizers that is the new norm which everybody is expecting.

So that is broadly on the numbers front, and if we want to go to the results front that how much profit and loss and whatever we did all the year around. As in the year as a whole last year, we had a profit of Rs. 28.84 Crores now the net profit is 33.5, it will be 16.43% higher and this is after the adjustment in the tax, before tax last year we were Rs. 29 Crores now it is Rs. 39 Crores, we are almost Rs.10 Crores increase in the current year. This is 34% increase, so if we go by the previous standard in nine months our profit was up by 50% so maybe we have retained that speed on that ratios but because of the COVID we had certainly compromised in the numbers so we have grown only by 34% in terms of the profit before tax so between

before tax and after tax there is a Rs.5 crores-Rs.5.5 Crores adjustment of the tax because of some change of government policy they allow us to shift from MAT to non-MAT, so for non-MAT we had to surrender whatever MAT lying in our book, so we have surrendered that so there is no cash out go but to it was already deposited in the books and we have surrendered and we will go for the lower tax slab.

That broadly I have to share with you in the numbers front and before we step onto the question and answer session, I would only say that we all know that where are we going these days and what is happening around in the market and there is lot of noise around China, around Corona and self-dependence and our Honorable Prime Minister has said that we need to be self-reliant and pharma sector is getting more and more traction and for the first time we are having so many announcements regarding pharma from the government, from the ministry from all departments and everybody is trying to check what is happening, how many products, what to introduce. Honestly, we love it because so far government has never asked us how we are doing. Now, everybody is questioning some time it is irritating, but we love this at least somebody is concerned about it. So, pharma sector as a whole is getting traction. Here, we are rightly placed because we are hardcore API Company. So, this is what is in the discussion today. India is dependent on lot of API's from China. There are 53 items which India is dependent so thankfully we do not have any item in those 53 drugs. So, we are not importing in the API we are rather producing API. So, one good news to share with you that you are not stressed out about it we do not have any of these common products most of these products are one or two step reaction and old products where China was more competent in pricing but now since government wants to discourage that I am sure Indian friends will come up with better solution better costing. But our situation is that as Morepen, your company, we are into high value drugs which are not

produced by China. So, rather we are exporting to China. So, we are happy to share that China is dependent on us we are not dependent on them, we import only some basic intermediates and key intermediates which as on today are coming from China but I am sure within a period of next one to two years, I think they will be produced in India. And as we go forward our dependence on China would reduce and our import would also reduce. We will be self-dependent and more importantly our cost will be under control and our Indian industry would be flourishing more. We are working towards that. So when we talk of that so basically there are two areas, one of course, is expansion plans in terms of capacity whatever we are already producing, certainly getting into more intermediates, more backward integration and how can we go more and more backward to replace if we have an opportunity to produce in India lies with us. So, in case the world is looking at us, can we export to other countries many people are looking for alternative supply as China they want to switch to India. We have been approached by many groups named, un-named where they want to acquire a company, the want to buy APIs; they want to invest because everybody is looking for some situation in API in India. So, we are rightly placed so we have not taken any strategic call so far. So, we have one expansion plan so for expansion of our existing products line the new products that we already have, so we have around 30 products in the pipeline. Government had asked to file the proposal immediately we hear that they will be clearing all the proposals by 30th September. We filed it last month rather officially we got the receipt on 3rd of June. So, we are hopeful that by September that our plan will be approved, which is our complete single approval to all the things there will not be any delay. So, once we have the plans approved and we have our things in hand so, we will be expanding with our capacity with API and we will be certainly expanding on the markets related to API whether domestic or export. So, I what I am saying is that, do we need to expand and we need to invest in putting plants for intermediates and go for more

backward integration so, we are working on that also but we have not filed any papers of any scheme for that it may take some time. So, may be when we meet next or may be when we have any development, we will come back to you.

Second thing which is happening is on the diagnostic side, on diagnostic devices we are the only company in the country who is making glucometers in India and we are the largest manufacturers of BP monitors in India. So, we have the market leadership in diagnostic manufacturing in India in the devices sector, this is where expansion is also possible. So, here again some of the raw material are bought from China and may be Korea so we are evaluating that how the dependence can be reduced and the more and more things are available in India we are happy to switch to the Indian sources as and when possible and there are more types of the devices also. Third thing which I have shared with you on Dr. Morepen pack in which, we have already been on the range of COVID care products. So we will continue making our efforts in that direction also and continue investing on spreading Dr. Morepen awareness where in we can reach to the consumer. We are not getting into the vaccine and other things, we did work on anti-body kits but there was lot of controversy around that, we have aborted those plans. So, we had two products slated to COVID care which is I would say not actually COVID care but government has already approved Hydrochloroquine and Dexamethasone. So, there we have already started getting the orders we have yet to see that at what stage we start manufacturing so within month of July/Aug. I would say the coming quarter we will target supplying those two products also. On the finished dosage front it may be little faster. On the API front, government has not allowed export as yet. So we still have time, because we are still going for commercial trials and they need six months period for trial. But whenever export will be allowed we will be okay to export also but for domestic market or may be generic supply so far this all

hospital supplies we are not launching these products in open market because as on today it is only recommended by the doctors and steroids are not to be taken without prescription. So, primarily all COVID care is happening within the hospitals only so even if a hospital doctor recommends you can buy from a pharmacy. So, these are the two developments on the COVID on the pharma side, but OTC side and diagnostic side I have shared with you. Broadly I would say our little journey during this quarter which was interesting. I am still working from home, I am having this call from home and last three months we have been sitting in shorts and pajamas just on working in zoom calls. Now, I think I will leave it to you guys if you have any questions.

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

Vishal: I am asking what is the plan for the investor because the last two years the investor just having negative return from the company?

Sushil Suri: Directly I will not be able to comment on the market except that the company is growing and quarter-after-quarter, year-after-year we are growing our fundamentals are good and even from a market perspective our price earnings ratio is improving. So, we can only comment how the company is performing and of course market has lot of variables on their own. So, I would not be able to comment much on the market perspective but just from a company perspective, from a growth perspective, we are growing and we are very happy with that growth numbers, they are coming up very fast. You talk of the one year return I think from a market perspective I am just open the computer so, last year 1st July our share price was Rs.18 something now I think it is Rs.23, Rs.24 about Rs.25. That last three months because that this COVID thing what were things happened, we

are very happy for the same. But I would not be able to comment on the market reactions.

Vishal: Okay, thank you.

Moderator: Thank you. Next question is from the line of Saurav Bothra from Edelweiss Financial Services. Please go ahead.

Saurav Bothra: Good afternoon Sir. My first question is on the debt you have said earlier in the last three conference calls that you have been debt free. But I think the debt is there in the books. Can you clarify on this?

Sushil Suri: I think our CFO is online Ajay can you share please?

Ajay Sharma: Hello! Yes, this is Ajay CFO of the company so, the preference capital which is due for redemption which we issued to the lenders some time back. As there was carry forward losses in the balance sheet so we were not able to redeem up to this year. We have talked to our lenders that how we can handle this thing. They are inclined to go for the equity in lieu of this preference capital. So, though we have got some of the approvals from over 55% of the lenders, we are talking to rest of the lenders so that we might convert this preference capital into the equity, so in this way the matter of preference capital, will be taken care. There is no cash outgo as on date. It might happen that the whole thing will be taken care of, may be in the next coming year.

Saurav Bothra: I think that is clarified, but why it is classified as a debt the question is that?

Ajay Sharma: Yes, see as per the company's act it is only a preference capital but as per IND-AS we have to classify into the debt, so this the thing that though it is not debt as such but because of IND-AS classification it has been now classified under the debt and it is forming part of current liability because it

is already due for the redemption. As debt have already been serviced by the end March 2018 so after that there is no cash outgo, whatever you see in my balance sheet it is only the small car loans other than that there is no term loan on the balance sheet of the company.

Saurav Bothra: What are other loans in the books?

Ajay Sharma: That is where we have, another thing which you pointed a small say Rs.20 Crores something in our Balance Sheet that is against the kind of working capital thing that is against our FD so again that FD gets 95% of the facility so there is no as such loan it is against our own cash deposit with the bank.

Saurav Bothra: Till what time I can expect that the preferential holder will approve into the equity?

Ajay Sharma: In fact, it already could have been done last quarter but because of COVID thing now we will do this financial year.

Saurav Bothra: Okay, thank you. My second question is on the API business. Mr. Modi our Prime Minister has also said that Aatma Nirbhar Bharat and they are focusing on the API businesses into the India pharma company. Sir, my question is into this what will be the benefit to your company?

Sushil Suri: Saurav I shared our view that we are a hardcore API company and I call this opportunity is coming into our lap so. We may be able to get in, in two ways, one is that our existing products will be happy the will have better sales.

Saurav Bothra: So, what is the dependence on China can you share me your numbers?

Sushil Suri: As of today, I would say 60% to 75% intermediates are coming from China and we produce high value drugs for which we need high value

intermediates which are not available in India. But in case as a strategy, its decided, the government decides that these imports are not to be allowed, for example it is but temporarily they suspended and we are respecting all those things, but those are temporary step. But, slowly we can adapt these things and may be some day either we have to go for our own backwards integration, but there is no serious thing which cannot be made in India but it may take some time.

Saurav Bothra: Okay, Sir my third question is on this another point is that your OTC businesses has been decreased in this quarter I think so. Just can you share me on this point?

Sushil Suri: In OTC I shared with you that because of the COVID the last shipments because these are all related to market and distribution so, Burnol, Lemolate, Isabgol all the three things have gone down Grooming Business has gone up, grooming includes where we have personnel care products and at least now in the current quarter we have launched the face mask, the sanitizer and lot of things and some of things are sold in the March quarter also. So, Lamolate and Burnol because of the market condition last month sale was declined, I mean the last March sale was not upto the mark. So, practically I would say we have gone down but now as we talk today between March to June, the numbers are quite satisfactory, all goods have been sold under these categories everything is under Dr. Morepen.

Saurav Bothra: Okay, my two question is more on this what is your market share in the domestic and in the international?

Sushil Suri: Market share varies from product to product. We are market leader in Loratadine we are No.1 in Loratadine, we are No.1 Montelukast, we are No.1 or 2 in Atorvastatin, we are heading towards No.1 in the Rosuvastatin, and we are No.1 in Glucometers, we are No.1 or 2 in the BP monitors. So, I

would say product to product vary but where we have large number of player by then. In Burnol, I would not say No.1 that we are the only one in the burn category, in Lemolate which is a cough brand we are No.2 or No.3 not 2 or three I would say No.7 or No.8., So, our strategy is that whatever we do we do we should be in the top place otherwise we do not get into that.

Saurav Bothra: Okay, thank you.

Moderator: Thank you very much. Next question is from the line of Rajesh Gupta from SBICAP Securities. Please go ahead.

Rajesh Gupta: Good morning Sir, and thanks for the opportunity. My question is regarding to the regulatory thing, after this pandemic started across the world, we have witnessed that the US FDA approvals for the product have really intensified. So, what is the current situation even generic market is really recovering or do you see the product approval is getting much faster as compared to earlier?

Sushil Suri: I would say first of all I will take in two parts, one is that as per our situation is concerned our all facilities are approved and we do not have any issues with US FDA even though there were many Indian companies who had gone through this mess in the last two years and US FDA was becoming stricter and strict and your question is right that would that be more flexible or it will become faster. I would say that my answer is that probably wherever there is an urgency, urgency related to any vaccine or for even testing kit or even any other new products which are coming, USFDA have been more aggressive. But I do not think there is going to be any relaxation in other molecules which are in routine. So, if there a product for also Diabetes and Cardiac which we already have so many brands in a Diabetic and Cardiac I do not think we are going to cut down anything. So, my guess

is, as India we are all prepared if any new challenges would come we are there.

Rajesh Gupta: Right Sir, can you just through light on your product launches pipeline in the next let us say a few quarters or so and what kind of product we are looking and what is the possible market opportunity for those products?

Sushil Suri: Yes Rajesh, again I would say that for multiple categories there are multiple products, first of all we just talk about API which is our core and our focus is on lifestyle products which is more of chronic diseases. So, primarily we operate in two category which is anti-Diabetic and Cardiac. Then Diabetic we do all the products which are related to more of I would say Gliptin and Gliflozin which is again used for advanced stages of Diabetes. So, we are covering a range of products where patent expiry on 2020 to 2030. So any product where patent expiry is there in between next 7 years to 8 years we are doing all the products, all the pipeline is there and then on the Cardiac side also similarly. Then the new category which we are adding is a Neuropsychiatric so, which we do not have much products as on today but more and more products in Neuropsychiatry will also come. One or two products are there which are not in list so the beauty here is that in Diabetes and Neuro when the patient start taking a medicine so that medicine continues for technically rest of the life. So, we find lot of traction in that and we find that is the industry model and India is the capital of I would say the Diabetic capital and even the Cardiac capital. So, we find lot of opportunities and again like you said, to supplement this replacement of China and everybody coming so, that is the product line we have there right. In that diagnostic sectors we have already be in BP meters, glucometers, thermometers all sort of devices which you need at home so those is what we do, in the coming time you may feel some Bluetooth devices, connected devices where your data is monitored and you are getting alerts on your

mobile phones about your sugars going up or down and then of course in the OTC segment we are talking more and more to the consumers. In the consumer segment the new thing, which you are going to hear is on the online, e-commerce. We have got very good response from the online see even during the COVID time, people sitting home or shopping for essential items so we have floated our new company especially focus on the e-commerce so in a small way to begin with and we can sell the products to the e-commerce platform whether it is Amazon, Flipkart so that is the future. So, that is the broad three categories.

Rajesh Gupta: Thank you for that answer. Finally, just wanted to understand in this current lockdown, we saw hospitals operating below their capacity and there are many planned surgery getting cancelled, so have you seen that the traditional products getting hit in terms of the volume that is the number one and second thing is that now you are also into various healthcare products, have you seen the newer products getting replaced with the these additional products that you used to manufacture earlier, just some color on that?

Sushil Suri: I would say on the healthcare side, at least healthcare is the word, which have been used most I would say time in last three months everywhere, every TV channel, everybody is talking healthcare so the healthcare is going to stay, whether it is hospitals or nursing home or insurance and now is hotels have been converted in the hospitals and railway coaches have been converted into hospitals so present scenario is different because it is a pandemic but I would say it will only go to increase the focus on healthcare, our healthcare spends in India from the government per capita would certainly go up, our insurances will go up, I would say the defense mechanism would go up on the personal side and more and more people will be concerned about the immunity and other things so when you say product range, when we talk healthcare, immunity and all about this

Ayurveda and all our homeopathy, everybody is going to come and if you see everybody is talking today of yoga, people are doing yoga at home, people are taking haldi, adrak, Kadha, whatever our grandma had been telling and we have been ignoring all those things are coming back and the maximum advertisements you see in the TV are coming to honey, giloy, tulsi, these are all things which we have forgotten to increase our immunity. I think that is one thing and particularly for younger generation who have been surviving on junk food, whoever having I would say sleepless nights, where their work cycle was disturbed, sleep cycle was disturbed, thanks to Netflix everybody had been waking all the night, working very hard to finish their series and I think that is what a change will come and as far as the hospitals are concerned I know that temporarily there is a gap but it takes three years to five years to build a hospital so I am sure these hospitals will also come back in limelight rather there will be more demand for hospitals because whatever is happening temporarily down, no one would expect that okay that they should have three, four, five and ten hospitals in reserve, this Corona is not going to die, it is going to stay here for another one year, two year we do not know and this is not the last Corona, there would be another Corona lined up. So, healthcare concern is high so I would say potentially this will get increased.

Rajesh Gupta: Right. Thank you, Sir for your answers.

Sushil Suri: Thank you. The next question is from the line of Rajesh Kumar, an individual investor. Please go ahead.

Rajesh Kumar: My question is related to recent notifications related to increase in authorized capital so last year also there was a similar notification but due to SEBI ban of promoters in accessing capital markets so I think you have stepped down on that again I think the ban is still there till September but I

do not know again I am seeing the same notification coming up before to that ban so can I know the background of it?

Sushil Suri: I would say you have guessed it alright that earlier we have started that and there was a ban of one year and even though technically there is the stay but courts are closed so we are not able to get any access but in the meantime annual general meeting coming up so these resolutions are usually passed either in the annual general meetings or in an extra ordinary general meetings, ours annual general meeting is coming up so these resolutions will be put in the AGM and will be passed otherwise if you have done at that times so we would have to go through EGM and we have to do an extra effort so it is more about procedural things for getting ready and as I shared we knew that we have expansion plans. So once the plans were approved and we have a go ahead from SEBI, so we may have certainly the opportunities, we have not formalized but we have opportunities to go.

Rajesh Kumar: Okay, so right now the promoter percentage is around 34% to 35% so post this capital increase, what would be the percentage that we are looking for promoter stake?

Sushil Suri: I would not be able to comment now till we submit it, I will like to keep quite on this.

Rajesh Kumar: 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 wanted to find out these new items which you have started 23 items, how much contribution will be there for the company?

Sushil Suri: In Dr. Morepen which is our subsidiary as of the current quarter I would say June quarter this is going to contribute around 25% to 30% but for company as a whole it will be around 9% to 10% so far.

Junaid Sayeed: How about the margins?

Sushil Suri: Margins rather I would say many items are under price control so margins are not very high because many prices in price control even mask in price control, sanitizer is in price control so a good point is that this is giving us a continuity in the markets for example in the medical formulation where we have Rx people are not going people to go to doctors and doctors are not meeting with medical reps and people are not going to the hospitals and doctors and scared off from COVID. But because of OTC so we have continuity in the market, our people are going to the chemists, they are going to the distributors, they are getting a feel of the market, we know what is happening, every time they say okay why do not you bring this, this company has launched this, why do not you give this. So more important that I would say topline, more important is the customer continuity and reach so we are understanding the pulse better and we are understanding the new normal so this is the new normal and we are part to that, we are not left over.

Junaid Sayeed: One more thing, like you are talking about somewhere in the month of April 20th in ANI news saying that antibody testing machine, is it the same which you are talking about COVID testing or is it a different thing?

Sushil Suri: Yes, it is for the COVID only but so far you know that there is lot of controversy on antibody testing, so antibody testing is done at a stage when the spread has just started so it is the first fourteen days you can do that so there was some controversy I think Rajasthan government or somewhere, ICMR has said that no Covid' testing will be done because of different

results, antibody testing is for bulk testing, if you want to test 1000 people so you cannot carry out all the tests because it takes time, 1000 people if you want to do just like your simple sugar tests so it is very simple test but government has not approved and I think slowly it has pushed to the back burner many people had invested lot of money but government has declined now they are talking of antigen testing instead of antibody testing. So, first body develops antibodies and then antigens so much still is a long way we do not know which way to go, we had lot of efforts in this direction but we could see that the efforts which are related with the central government, state government approvals, lot of issues so as private entrepreneur and as a private businessman we could see that we better stay out even if we try to focus on the consumers directly instead of going to hospitals.

Junaid Sayeed: One more thing, last time which you have issued I think approximately 74 Crores of shares which are to be converted at Rs. 20 that is going to be help because you have got a relief from tax.

Sushil Suri: I think that was the previous question that Rajesh had, so we had given that plan, unfortunately the same day evening I think within 24 hours there are some ban. So infact, we have got a stay but that stay is not granted on the basis of merits it is just interim stay, but if you want to break that we can still go to the court and say that this is my plan, I want to do this. But since the courts are not functioning fully and they are only taking only the emergency cases particularly in Mumbai, Delhi we hear that lot of video calls and online cases has been heard, so Mumbai also only emergency cases has been handled so I think we have a date in July. So we will try to push, but in any case now the stay is there, we were given a stay and SEBI was to file a reply, and if SEBI does not file a reply then they ask for a date we cannot do much so till SEBI files reply on that I am assuming that

whether you like it or not I mean it is going to take one month or two months to decide the case, by the time we think it will be September.

Junaid Sayeed: Actually before the time has come we have issued shares so is it going to be valid, five days before I think we have issued the shares to the promoters and to the other parties, that is going to be changing or like it is going to stay?

Sushil Suri: It is only during this period of 365 days if you think we would have allotted that and we have done “then there is no issues, if they do it now because there is lot of procedural things involved and we have seen in the past during the times of our CDR we have invested around Rs.166 Crores, it took us almost eight years to nine years almost ten years to get the approval, because of the procedural things, there is lot of procedure involved, so better to play safe.

Junaid Sayeed: Thank you very much. As there are no further questions, I will now hand the conference over to Mr. Vastupal Shah for closing comments.

Vastupal Shah: Thanks everyone for joining the con 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, friends.

Moderator: Thank you. On behalf of Kirin Advisors Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.