MOREPEN

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To,

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Symbol: MOREPENLAB	**Scrip Code: 500288**

Subject: **Outcome - Transcript of Investor and Analyst Conference Call on Results for Q4 of FY 2017-18 of Morepen Laboratories Limited**

Dear Sir,

Please find attached transcript of Investor and Analyst Conference Call organised on Friday, 18th May, 2018 at 2.00 p.m. (IST) subsequent to declaration of Audited Financial Results for the quarter and year ended 31st March, 2018.

This is for your information and records.

Thanking you.

Yours faithfully,
For Morepen Laboratories Limited

Morepen Laboratories Ltd. New Delhi

(Thomas P. Joshua)
Company Secretary

<u>Encl.</u>: *As Above*

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"Morepen Laboratories Limited Q4 FY18 Earnings Conference Call"

May 18, 2018

Management: **Mr. Sushil Suri – Chairman and Managing Director, Morepen Laboratories Limited**
Mr. Ajay Sharma – CFO, Morepen Laboratories Limited

Kirin Advisors: **Mr. Sonal Kumar Shrivastava**

Moderator

Moderator: Ladies and gentlemen, good day and welcome to the Morepen Laboratories Limited Q4 FY18 Earnings Conference Call 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. I now hand the conference over to Mr. Sonal Kumar Shrivastava from Kirin Advisors. Thank you and over to you, sir.

Sonal Kumar Shrivastava: Good afternoon, everybody. I welcome you all to this Conference Call of Morepen Laboratories Q4 FY18 results. Today on the call, I have with us Mr. Sushil Suri who is the Chairman and Managing Director, along with him his colleague Mr. Ajay Sharma, CFO of the company is also present. Broadly the structure of the call will be like that I will hand over the call to the management and they will briefly discuss about the quarter that has gone by, how the performance has been in each segment and accordingly, briefly after their comments on the business, we will open the call for Q&A. I will now hand over the call to Mr. Sushil Suri - Chairman and Managing Director of Morepen Labs. Over to you, sir.

Sushil Suri: Good afternoon, everybody. Sushil Suri this side. I have Mr. Ajay Sharma, who is our CFO, with me. This is our second conference call, last time we had a call regarding the Q3 results. Now, since it is a last quarter of the year, we would like to discuss performance of the year as a whole which is FY18 and as we go forward from next quarter onwards we will come back to the quarters.

So, coming straight away to the numbers, in FY18 the gross revenues have gone up from Rs. 599 crores to Rs. 610 crores which is like 8.5% growth, while the net profit on a consolidated basis have gone up by 25% which is almost 3x than the growth in the topline. Sales revenues, of course have been, I would say growing in all segments, but we will come segment wise later. Top performers are our domestic sales which have gone up by 21%, home diagnostic category has gone up by 34%, BP monitors have gone up by 38% and Gluco monitors have gone up by 39%. So, we will come to the category specifically. Second is that interest cost has come down by almost 43% and the company is becoming zero debt in next 2 to 3 months, maximum 3 months. So, those are the broad lines; Profit up, interest down, category wise growth is growing everywhere and we will be coming debt free. Those are the broad contours.

Now, we come to the segment wise:

Company as a whole, like I told that overall business, had been growing at a pretty fast pace and I would say that it has stabilized the pace now. We have grown at 14% CAGR for last 5 years. Of course, some time the growth is more, some time it is less, so 14% on an average we have grown and out of the total growth API contributes 57% of business. So overall, we have been doing good with 57% to 60% of growth coming from API. Then the second category is diagnostic devices, here we have home diagnostic devices like BP monitor, Gluco monitors, weighing scales, thermal pad, heating blankets, thermometers, or any device which we use at home without a doctor, so you can use it at home. So, that is covered under home diagnostic and this is a very promising sector. It has grown at a CAGR of 24%. So year-after-year we are growing at 24% on an average and this year it had grown by 34%. So it is a large opportunity and large growth.

Then finished dosages and OTC businesses have grown with a CAGR of 10%. But, during the year and during the last quarter finished dosages have grown by 44% and OTC has grown by 21%. So, there is a good growth in all the segments and if we talk specifically of the API now which is the major business. So, we are happy to say that Montelukast is leading the pack of growth and has a 38% growth on quarter-to-quarter and last 5 years CAGR is 16% in the Montelukast. Then Atorvastatin has also shown good growth in last 5 years. The CAGR of Atorvastatin which is compounded annual growth rate is 25% and for the year Atorvastatin has grown at 12%. The next big thing which is coming up is Rosuvastatin with a CAGR of 53%. So, year after year it is almost adding 50% in its belly and during the year it has grown 17% and for the quarter Rosuvastatin is 11%.

So, if we see, these are the 4 major top growing products Montelukast, Atorvastatin, Rosuvastatin and Loratadine. So, Loratadine has grown in the quantitative terms by 6% but because of severe reduction in prices in US market Loratadine topline has not gone up while the numbers have almost gone up by 1% only on a CAGR basis or year-on-year Loratadine sale has come down by 1% because of the drop in the US Dollar prices and drop in the overall market prices. Other than Montelukast, Atorvastatin, Rosuvastatin and Loratadine there is one more product Fexofenadine which has registered substantial growth of around 80% in the quarter. But we will watch it on a year-to-year basis and will also watch the CAGR growth of Fexofenadine. These are the 5 molecules which constitute our core.

Then within the domestic and exports markets, both markets have been growing. But there is some accounting reclassification after the GST regime, so around Rs.46 crores of topline, which was classified under export earlier, now has been classified as domestic because in the new GST regime there is nothing like a merchant export, everything is domestic and we are accounting like that. So, taking that into consideration the domestic sale of API has grown by 61%. It is almost double with a CAGR of 40% and there is a jump of 110% in the Q4 for the domestic sales of API. Then we talk of product wise, Loratadine, including exports, has tripled during the quarter from Rs.16 - Rs.17 crores export it is going to Rs.49 crores and there is a quarter-to-quarter growth of 322% and year-to-year growth in Loratadine is almost 200%, 196% to be precise.

Montelukast in the domestic market has grown by 87% in Q4. Atorvastatin in the domestic market has grown by 68% on quarter-to-quarter basis and on the yearly basis Atorvastatin has grown by 102%. So, primarily Loratadine, Montelukast, Atorvastatin and Rosuvastatin has grown in the domestic market. In domestic market, out of the total pack, 52% of the sale is Montelukast, including the Loratadine export of because of the GST. In case we exclude Loratadine export out of this pack Montelukast is almost 70% of the domestic business which speaks high of our large bets on Montelukast. So, Montelukast business as a whole including domestic export has become Rs. 91 crores and against Loratadine Rs. 112 crores, Atorvastatin is Rs. 57 crores and Rosuvastatin is Rs. 29 crores. So, on the topline front and on the domestic and export front we are getting good traction and total domestic sale is Rs. 155 and total API topline is Rs. 337 crores.

Now, coming to the non API business, basically one is our API business which is a bulk drug business. Then we have for the sake of simplicity calling non API which is the consumer business. Any business where we have a direct interaction with the consumer whether it is diagnostic devices or our OTC or we approach through the doctors even though it will have direct interaction with the consumer, we have approach them through the doctors. But our material is directly bought by the consumers. So, that one segment we call as branded portfolio. We have grown this branded portfolio from Rs.153 crores to Rs. 263 crores in the period of last 5 years, and of course there is a CAGR of 24%which includes diagnostics, formulation and OTC out of which diagnostic devices have grown by 24%, while OTC and formulation only 10%.

So, as a Dr. Morepen portfolio, it is now Rs. 263 crores against Rs.337 crores of API. So, I would say overall growth on both sides, API front also and the OTC also. Now getting into the individual segment within the Dr. Morepen, first is diagnostic business and I shared earlier that against the CAGR of 24% the lead product here is blood glucose monitors where the market has grown by 38% for a year-to-year basis and there is a CAGR of 39%. It means every year we grow 38% to 40%. On a quarter-to-quarter Gluco monitors have grown by 26%. So, in Gluco monitors as we have discussed in earlier conference call also that here is the business wherein it is a large annuity business. We have invested in the meter here, wherein people buy the meters and for life time they have to buy the strips. So, maybe for another 3 years - 4 years they buy the strips and in case the meter becomes faulty we gave a lifetime guarantee to replace the monitors, so that they keep buying the strips. So it is a very lucrative business.

So, total meters have gone up by 56% and we have completed the target of 2 million meters and now on the year-to-year basis we have sold 68 million strips. You can imagine 68 million strips is like 6.8 crores strips have been sold. So, many diabetic tests have been conducted and people are using and imagine the brand value which is going in the market. Every strip which anybody test sugar Dr. Morepen brand goes into that. So, this is jump of 43% in the sale of strips also. BP monitor is another category. This was bit slow till last year. Slow means that not as fast as the Gluco monitors but BP monitors have got a CAGR of 35% which is also a very huge. During the year it has shown growth of 75%, three fourth of the business has been added into this year and there is a big jump in the Q4 also. In the Q4 it has grown by 57%. So, there is large increase in Gluco monitors and BP monitors, the Nebulizers have also shown good growth. 34% growth in the topline of Nebulizers and on a quarter-to-quarter basis it is almost 8 times, which is of course considering that the numbers are small.

Then thermometers, here I would like to highlight that we have started the manufacturing of Gluco monitors in India last year and the number of pieces what we have been manufacturing is increasing month after month. February was our peak month, where we produced 100,000 meters which is almost 70%-75% of our capacity. So, that is large thing and in this fiscal, the current year, by Q3 we will start the production of BP monitors also in-house. Nebulizers we are all manufacturing in India, but that is not in-house, we are having a contract manufacturing done from outside, right. Thermometers, we have done trial run and we will be doing production in India. So, here, in devices business we are one of the largest in terms of volume, we are one of the largest in terms of numbers and growth and more importantly we are the only one who are producing these things in India. Mostly this is an unorganized sector, people import, they bring one container they sell it and they are not able to compete. But we are regularized organized player, we have cost cutting, where we have manufacturing, we have servicing and of course we are getting the market share. The total diagnostic devices have grown from Rs. 44 crores to Rs. 103 crores in last 5 years. So, this is going to be a big business tomorrow and we are banking largely on it.

Then coming to the branded formulations, this business has been growing at a rate of 10% for last few years and quarter-to-quarter growth is 33% and on a branded perception market which is more of Doctor Prescription it is 33%. But within that nutraceuticals and vitamins have grown by 76% on quarter-to-quarter basis which is a large thing. We added new products on vitamins and nutraceuticals and CAGR of 23%, antibiotics have grown by 43% in Q4. So, very good effort done by the team in Q4. And branded generic business which is primarily a market driven business which has grown 47% in a quarter but last few quarters Q1 and Q2 rather Q2 and Q3 was bit slow because of the impact of GST implementation. But now this finished dosages business, branded generics has come back. Out of the total business of the generics of the finished dosages 23% is branded prescription and 77% is branded generics. The total pack is growing at 10% which is according to the numbers is pretty good.

Now, we come to the branded business of OTC where we have our lead brand like Burnol, Lemolate, Sat Isabgol, Fiber-X. So, these all branded businesses have grown up by 22% on quarter-to-quarter basis while CAGR and year-on-year growth is between 7% to 6%. But quarter-on-quarter growth has started showing the recovery, so this portfolio has also largely impacted by the demonetization earlier and GST regime this year. But now in last quarter it has come back and other small brands where we have 100 of brands like Fever-X, Pain-X, Head-X. So, these are the small brands, so these also contributing 21% growth on a quarter-to-quarter basis. The lead brands are almost 50% of the total pack around Rs. 24.52 Crores and remaining of Rs. 24.72 Crores. Rs. 50 crores business is there coming from the Dr. Morepen OTC drugs. So, that is all on the segment wise.

Now, we can come straight to the operational performance. And operational performance or in terms of financial numbers our topline have been growing at 14% and our EBITDA is now almost stable between 11% to 12% which has been jumping here and there earlier and now clearly there is a good sign coming up for increase in EBITDA from Rs.62 crores in FY 16 and FY17 it was Rs. 65 crores and FY18 the EBITDA has gone upto Rs. 68.3 crores. So, regular improvement and as we go forward the EBITDA certainly is going to go up. But 11% to 12% is pretty stable now and as we go forward and since the depreciation is another component, the cash flow or the cash surplus of the company is also going up from Rs. 57 crores it has gone to Rs. 63 crores. And net profit which is actually a concern for all of us and this is what we all work for has grown up by 25% from Rs. 24 crores to Rs. 30 crores. Basically to be precise Rs. 23.63 crores to Rs. 29.59 crores, something so Rs. 24 crores to Rs. 30 crores, is the consolidated profit which has gone up.

The net profit percentage is slowly moving up from 3.9% to 4.9% and as we go forward our volumes increase, and our interest factor goes down, so the net profit is going to go up. As I already shared that our interest has gone down by 43% only Rs. 4 crores interest is left in this year and the coming year the interest cost will go down to 0 after Q2. So, may be in Q2 we have something and Q1 will be around Rs. 1 crore and will be reduced. Basically, this is the last year we were paying heavy interest. And as you all know that we had a heavy debt pack of Rs. 750 crores few years ago and we started servicing that and happy to announce that total outstanding debt in the books as of 31st March is only Rs. 10.52 crores, less than Rs. 11 crores left, which will paid-off in next 2 to 3 months' time. During the year we have debt servicing of Rs. 41 crores around Rs. 37 crores of principle amount and Rs. 4 crores of interest. So, Rs. 41 crores out of the Rs. 65 crores which we have earned has gone down to the banks. So, you can imagine from next year onwards or I would say next few quarters onwards when our bank payments are minimized or rather zero, so the company would be zooming up with support of all of you.

Then coming to financial numbers, on a consolidated basis again Rs. 610 crores of revenue, the EBITDA is Rs. 68.45 crores which is almost 5% against Rs. 63.73 crores of last year and after interest of Rs. 4.36 crores there is a cash surplus of Rs. 64 crores then the depreciation, amortization. So, net profit is Rs. 29.59 crores and if we see the major growth factors coming the standalone basis our revenue has gone up by 2%, EBITDA is little less and net profit has grown by 12.5%. But on the consolidated basis our net profit has gone up by 25%, EBITDA has gone up by 5%. Out of the major growth drivers if we see domestic API gone up 110% diagnostic sale 29% up, Gluco monitor sales 26% up and BP monitors have gone up by 75% four major growth drivers of the topline. And for the quarter and for the year as a whole domestic API have gone up by 61%, diagnostic sale has grown up by 34%, Gluco monitors have gone up by 38% and 75% is the BP monitors. On a quarterly basis BP is 57 and year-to-year it is 75%. Those are the broad numbers and we are happy to seek any questions and clarifications which anybody may have and want to thank everybody for contribute support and trust in the company which we always look forward. Thank you very much.

Moderator: Thank you. We will now begin the question and answer session. We have the first question from the line of Siddharth Basi, he is an individual investor. Please go ahead.

Siddharth Basi: So, my first question would be with regards to Q4. If I look at the profitability of Q4 this year versus say last year it is a slightly disappointing in that also showed in the way, the market dealt with your stock in terms of how it reacted to the numbers. Now, I will come to those numbers, for example there has been a revenue growth is well in Q4, but your profitability didn't really peak. you have been talking about how there have been consistent growth in terms of CAGR of various products. But that somehow did not seem to show in Q4 numbers. Was that because of pricing pressures of Loratadine or because of GST or was just because of other things of the company was not operationally able to do. Secondly, I would like to talk about the future now. Now, that the company is debt free what sort of improvements would you see in you being able to purchase bulk quantities of raw materials, so as to bring down cost. Also, how do you see this CAGR growth like for example Montelukast adding to your topline in the coming years and what sort of effects should that be on the bottom line and if we talk in terms of a guidance in terms of EPS what would your kind of give us for this future years, so that it would help individual investors to kind of discount how the company is going forward?

Sushil Suri: One thing at a time. So, I think your first question on the net Q4 results is very justified and the whole logic here, I think, normally in the last quarter of the year, some additional provisioning takes place under various heads. But leave aside that part, there is certainly an impact of the market also which I think we shared on Loratadine there were price cuts and our EBITDA margins or the gross margins of Loratadine have decreased and of course even though they were classified as domestic but technically it is export only. But there is a reduction in the margins of API but more important is that the expenses which are pertaining to the year as a whole, few of the expenses have been booked here. But major expenses which you see which are classified under other expenses around Rs. 3 crores to Rs. 4 crores are for the upkeep and maintenance of some equipment's in the API and we have inspections going on regularly. There are some upgradations between Rs. 3 crores to Rs. 4 crores which has been expensed out during the quarter. So, that there is no burden on the long term basis. And you would see even in the depreciation and amortization there is an increase of some Rs. 2 crores. So, we have provided additional depreciation on the old assets, which were like obsolete block which were lying in the books. So, we wanted to clean those things and we have provided additional depreciation and removed from the block. That is more of a conservative accounting treatment, but as you would see, on year-to-year basis and on cash flow basis there is no reduction. So, I would say that please do not be fancied by column-to-column but see year as a whole. That is why though in Fexofenadine had 80% growth in Q4, but we are not banking on that growth because that is in one quarter. So, one quarter growth does not mean anything. So, we have to have a trend, we have to analyze it from a long term perspective. So, as a company we are bit conservative in declaring the numbers. That is from the results factor and I think you have another question on the Montelukast and the cost reduction. I think that is a very interesting thing that as a company we have been working under lot of limitation and constraints because we were not having working capital facilities from organized banks and we had to practically use third party to get LC facilities or even to import or export and now since we are getting debt free and hopefully few banks would come forward which you already started getting offers. All banks want a debt free company now. But now we will start getting regular banking facilities or we see that we may not rely on the banking facility. But our buying power certainly would increase, will have better bargaining powers and more importantly that we will not have to spend extra money on doing business through third parties. So, like Rs. 46 crores export is through merchant exporters. So, if I have my own facilities I do not have to go out. Similarly, we open LCs, so we have to pay one-time cost to third party which we will certainly be avoiding. So, this 5% to 6% savings in my purchase would happen and then secondly would be that if we are debt free and we have enough cash flows at our disposal, we can stock the thing. We are stock out in many places in the domestic market and also for export also. If we have inventory in hand for finished goods our sales will be much better particularly in the segment like diagnostic devices, we are focusing only on Gluco monitors and BP monitors. But, if we have cash surplus lying with us, so we can do weighing scales in a much bigger capacity, we can do stethoscope, we can spend more money on BP monitors. Basically I would say these are all businesses which need capital investment which we have not been doing till now. So, we are seeing a large growth in the coming 2-3 years as we go forward without throwing money here and there. But step by step, we will keep investing in the thing like last few years we invested in the diagnostic devices, we spend more money and whatever CAPEX is required for API that would be done. So, you will see overall growth. I do not say that it will be one thing there will be some other things which we be doing with the extra cash which we be able to generate.

Siddharth Basi: One more question. Now in the conference call, Rakesh Jhunjhunwala asked Lupin and they said pricing pressures from the US seem to have now declined and there will not be further pricing pressures as far as their product line was concerned. Can we see this same for Morepen? The drug pricing because of increased competition and what Trump said chances are that we get faster FDA approvals and we might be able to get better prices and what we are actually getting right now?

Sushil Suri: I think that is a very mature assessment because there is a limit by which the prices can go down. Now, we are almost touched whatever we are doing for domestic market and whatever doing for European market. Because earlier the gap was huge, and all these companies have become smarter they have stationed the people in India and the Asian markets and they know actually what is the actual pricing. So, there was a time when they were giving huge premiums but now we have come to the bottom no way we can go further down. The prices have come enough down now, now there is no possibility of prices going further down and in our product line certainly we are not very much affected by the competition. But I am happy to share that in our product line we have not allowed much price drop, I would say permitted anybody else to enter into this category particularly Loratadine and we have 80% to 90% market shares in last 15 years. Actually we have been able to realise good prices.

Siddharth Basi: Basically we can expect further margin improvement because of this, I am assuming? And just another couple of questions since the company is going through this entire rebranding process in terms of being debt free. Have you also applied to say external agencies to look at the company and to valuate better or is that an ongoing process? And secondly do we have any further molecules of the company might had developed which might be getting in FDA approval or any of the new plants we are looking at in terms of say inorganic growth by maybe now that it might be cash rich going first on acquisition or something?

Sushil Suri: You will keep hearing small little positive news every time. But certainly on acquisitions we do not have anything active now. On FDA front and new molecule front you will hear something.

Siddharth Basi: We could hear something and how soon would that be? Say for example, are we looking at in terms of a development period of a year or 6 months, 3 months if you could give some guidance on that?

Sushil Suri: Like to keep quite.

Moderator: Thank you. The next question is from Saurav Bhutra from RMR & Company. Please go ahead.

Saurav Bhutra: Sir, what type of product you want to launch after the debt free company? Are you going to do any type of product launching? Or and what you are expecting our revenue in terms of in the next quarter, sir?

Sushil Suri: I think, on the product launches front certainly on API front there are regular product additions which we keep doing and but certainly until the product size becomes Rs. 50 crores and reaches Rs.100 crores, we do not speak much about it but there are new molecules which are in pipeline which certainly will be coming to you. But there is not any acquisition we are doing but on diagnostic devices front we will be investing more money on Gluco monitors and BP monitors and more and more money would be invested in doing manufacturing in India. Whatever dependence we have in China, Korea, so we are trying to reduce the dependence and starting production in India and while we start producing in India and may be after 2 years' time we would give you a news that okay we have started exporting to other countries. So basically that is, made in India factor. That is what is going globally. Nobody wants to depend on China. So we are, we want to become the hub and spoke for diagnostic businesses in India. That is the second category. And on a revenue front of course, India is still our largest market Rs. 109 crores of our business in API comes from India and when US is only Rs. 40 crores then we have Spain Rs. 21 crores, Iran, Germany, Algeria, Greece, Thailand, China, Japan, Egypt then are 40 odd countries where we are regularly supplying out of the API but other than API most other businesses is domestic only. Within API India is Rs.109 crores.

Saurav Bhutra: Sir, my last question is that you have opened the heart wellness center and how much you are expecting to open the branches in the coming quarter and what you are expecting a revenue from this heart wellness center?

Sushil Suri: It is still; I would say more of a test run because it is only one center. And we get a traction and we start making it profitable then there is an opportunity to open 25 more centers over a period of 3 years. But that will be more of a franchise model we do not want to do any investments on our own money on the upcoming centres.

Saurav Bhutra: In which city you are opening the branches?

Sushil Suri: For the time being it is Delhi and then it will go to a metros and then go to Tier-2. So, new additions will take place.

Saurav Bhutra: And sir, my last question is sir, what is the margin you are expecting in the coming quarter sir, in the margin front? In the margin front you are disappointing.

Sushil Suri: I would say we have given the gross numbers. We have given you last 5-year guidance; we have shared that it is growing at such pace. So, we will maintain the pace and rather will outperform a bit because of better cash flows. But I would say you have to wait for one more quarter to come us openly with the numbers but June quarter of course, should be better than last June. But certainly we are much positive. I cannot give any specific numbers because these are sensitive information, but we are on a positive.

Saurav Bhutra: And last question is that are we planning to do any merger and acquisition in the coming quarter, sir after this debt-free?

Sushil Suri We do not have anything on the cards but if there would be anything certainly it will come back to you. Otherwise it is a sensitive information, but I can say that there is nothing in hand, do not worry. If it comes we will come back to you.

Moderator: Thank you. We move to the next question. Next question is from Rahul Mardhani, who is an individual investor. Please go ahead.

Rahul Mardhani: Sir, when can we expect the company to declare dividend within like how much span of time, 1 to 2 years?

Sushil Suri: I cannot speak much. Dividend of course, is being declared based on our distributable profits. Once we start accumulating enough profits, I think there are certain norms which we will follow but I would not like to comment at this stage but at the appropriate time we will let you know.

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

Shekhar: And my question is, I know in December the Montelukast is approved by the USFDA, so my question is s it already in the US market, I mean it is already to the retailers?

Sushil Suri: No, in December we got product approval of USFDA and the company had filed ANDA, the ANDA has been cleared. But our shipments would start in the next quarter we have already started receiving the orders. So, it will be in the market when you talk specifically in the shelf it will be in the shelf in Q3. Our shipments will go in Q2 and maybe we will take one quarter as a manufacturing time there will be on the shelf in Q3 if you want to buy.

Moderator: Thank you. Next question is from Siddharth Basi, who is an individual investor. Please go ahead.

Siddharth Basi: I had a couple of other questions which came to mind. So, Mr. Suri there has been a lot of reading on the company regarding case going on in NCLT regarding the fixed deposit holders. Could we just get some more clarity on that please if it is possible?

Sushil Suri: Actually if you go to back to the history of this case. We had FD holders and there was scheme submitted by us under section 391 and 394 of Companies Act, 1956 in Shimla. We had allotted shares to the FD holders. We are the first and only company in the country who has enabled the FD holder's in participating in the company, we had allotted shares at Rs. 11.32 paisa and those Rs. 11.32 shares have now become Rs. 30-40 and they have been fully rewarded. **Siddharth Basi:** So, we are in the clear as far as that is concerned.

Sushil Suri: So, it was under stay for long time in Himachal High court. Now, it is under stay at NCLAT. From commercial point of view, it is in the favor of investors regard the equity because equity naturally is bound to go up.

Siddharth Basi: One last question, since you guided us for 5 years CAGR growth and but a lot of that has been like backward looking in terms of where we are today. If I were to ask you say as a long-term investor and I want to stay with the Morepen journey for the next 3 years, what sort of CAGR growth can I look at firstly segment wise like for example I look at diagnostics growing a huge amount like 60%-70% or your diagnostic devices. So, what sort of CAGR growth can I think off in the next 2-3 years as far as that is concerned? Secondly, can you give us a management guidance in terms of profitability growth in percentage terms?

Sushil Suri: I would say that, while say CAGR of say 14% for the business as a whole it means that 14% is there. 14% can become 15% it can become 16% because it is not going to come to 2%. That is the reference, so I do not have to speak much over here. So, it will certainly even if it becomes 20%, so the CAGR would still be on an average 15%. So, I would assume that whatever is the CAGR you can add 2% to 3% or may be up to 5% more than the CAGR. This is growing by 39%. So, we assume safely that 30%-35% would still be there. Or that is a new segment and that is like a white slate. So, we are going to write our name on it. The formulation and OTC the CAGR is 10%. So, I do not have to speak much. If it is 10% it will be 11%, 10%, 12% that is it. So, that 10% thing cannot become 30% overnight. That is, I was mentioning that we are a conservative company and we always say that okay whatever we do it should be sustainable long term. Market situations may you give you an opportunity to grow, but we will not dump the material to get growth, we are not we cannot do that. CAGR growth side between whatever are our annual CAGR, I would say plus or minus 2% to 3% is what we will be giving you.

Moderator: Thank you. Next question is of Saurav Bhutra from RMR & Company. Please go ahead.

Saurav Bhutra: Sir, one more question was there. Sir, is there any promoter, one to increase the stake in the coming quarter?

Sushil Suri: We certainly have plans for the promoter’s equity to go up. But at appropriate time certainly we will be announcing that and there are strict norms about these things, so cannot comment anything now.

Saurav Bhutra: Sir, till what time you can increase your stake, how much we can expect?

Sushil Suri: We can do creeping acquisition by 5% every year. But since this is sensitive information you have to go through a long procedure where there is insider trading code, trading norms and courts.

Moderator: Thank you. We have the next question from the line of Chandraha Kulkarni from VCK Investments. Please go ahead.

Chandraha Kulkarni: Do you expect the EPS CAGR at 14%?

Sushil Suri: This year CAGR of 14%?

Chandraha Kulkarni: Are you expecting an EPS growth as 14% for the next two years?

Sushil Suri: I would say between 14% to 16% would be the growth of overall business. But within that some segments maybe growing more, some segments maybe growing less.

Chandraha Kulkarni: But presently the EPS is very low and on the low base is it 14% when overall EPS growth will be very less.

Sushil Suri: Yes, you are right that as the base increases the CAGR becomes difficult to maintain. But like I shared that some segments are growing much faster. Devices business is growing at 30% and within devices also certain business are growing at 50%, in API Rosuvastatin at CAGR of 52%. So, overall we have to see because somebody would be going fast somebody would be going slow but on an average 14% to 15% growth.

Chandraha Kulkarni: But sir when the base EPS will increase substantially because there is only EPS is very low?

Sushil Suri: Yes, in case actually the base would go up. So, that is what I was sharing with earlier participant may be (+/-2%) here and there. So, but this is a broad guidance. I would say between if it is 14% CAGR now you can assume between 13% to 15%. So, may be 2 notches up or 2 notches down that is the broad contours for the overall category.

Chandraha Kulkarni: Means, is it correct that it will take long time to increase the EPS substantially?

Sushil Suri: On the EPS front, I would say since this is more dependent on the profitability point of view and as we discuss that since we are becoming debt-free and our high profit industry of diagnostic devices is increasing, API, of course this year was low but that is also showing good results. So, the increase in the profitability would be much faster. That would not be at a CAGR of 14% that may be faster.

Moderator: As there are no further questions in queue, I would like to hand the conference to the management for closing comments.

Sushil Suri: As I want to thank everybody for the continuous support and the belief in the company and the long-term trust which we have with the investors and with our all the stake holders. These are very valuable for the company and we seek your continuous support and guidance and soon we will talk for the next quarter in the July or August. Thanks a lot. Thank you everybody. Thank you to moderator and thanks to Sonal from Kirin also.

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