



“Morepen Laboratories Limited  
Q1 FY 25 Conference Call”

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

**MODERATOR:** **MR. TUSHAR MANUDHANE – MOTILAL OSWAL**

**Moderator:** Ladies and gentlemen, good day and welcome to Morepen Laboratories Q1 FY '25 Conference Call. 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 any assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Tushar Manudhane from Motilal Oswal. Thank you. And over to you, sir.

**Tushar Manudhane:** Apologies for the delay in start of the call. Good morning, and I welcome you all for the first quarter FY '25 Fundings Call of Morepen Labs hosted by Motilal Oswal Financial Services. From the management side, we have Mr. Sushil Suri, Chairman and Managing Director; Mr. Ajay Kumar Sharma, Chief Financial Officer; Mr. Nishant Doshi, Vice President, Corporate Finance and Investor Relations; and Vipul Kumar Srivastava, Company Secretary and Compliance Officer. Over to you, sir, for the opening remarks.

**Sushil Suri:** Good morning. Good morning, everybody. And again, sorry for this delay because of the technical reasons. I would like to say that this quarter is a historic quarter and a historic moment for all of us. I have two big news to share with you. One, of course, is phenomenal results for the quarter. And just to share with you, this was the highest ever EBITDA company had got in the last 40 years and the highest ever pre-tax profit because post-tax, we are a little short of by INR1 crores, INR1.5 crores because in the earlier time, when the tax was not there, most probably, I think we had more PAT. But highest ever EBITDA, highest ever in the last 40 years. That's enough performance point.

And the second point, friends, is that -- which is again historical, is that we have successfully completed our QIP. It was long overdue. And this is, again, historic in a sense that this is a capital event in the company almost after 30 years. It's a small capital raise, but it's a good beginning. So basically, it is INR200 crores QIP, which is primarily for around 20%, around 60% of the capital is being used for the capex for increasing our capacities of API and devices. And within 18 to 12 months, all the capacities will be full operation.

But stand here and the major point of excitement is that now our institutional holding has gone up. We had a very nominal institutional holding between 3% to 4%. Now, at the close of the QIP, our institutional holding has gone up to 10.61% or 10.67%, so as per 4.91% earlier. So we have issued 36 million new shares -- 36.785 million new shares. The idea here is that now we have all the institutional, I would say all the eminent institutional global investors, and all the legacy players in our capital stack. Bank of America, Samsung, Citigroup, Societe Generale, Nomura, to name a few, BNP Paribas, Morgan Stanley, Eminence.

These are all good big names who are standing by us and who have reposed their confidence in the company. And through this platform, I'm sure some of the members are present in the call, I would like to thank all the shareholders, existing shareholders, and of course, new shareholders to welcome them on Board. And thanks again for reposing the confidence.

So the excitement point is that now we are at par with most of the pharma companies wherein the institutional investors take a lead. So we get guided by them. We get good mentors, and of course, good great guidance. And most importantly is the global connections and global relationships. We fully appreciate and place on record all the gratitude and thankful from the management point of view. And thank you all the shareholders for being so supportive and cooperative for all the events company had been holding. And of course, this event or all capital raise was led by Motilal Oswal, who had been our book running lead manager.

So as I shared that the capital would be used primarily for capacity expansion for glucometers, BP monitors, and of course, the APIs. So we have been getting a lot of excitement on the demand point of view. So we are always short of the capacity. Last couple of years, we were adding new capacity, but that was limited capacity because we haven't had any major capex plan because we were -- we had not done any capital raise.

Though we are a debt-free company, but we were shy of raising fresh debt, but long-term capital was required in the company. And this is where we are now. So this, I would say, from a Morepen's journey point of view, this is Morepen 2.0. Like whatever we have done in the past, so we, of course, as a debt-free company, cleared all the debts. And now we are in a growth phase with the new capital in hand.

So this capital is certainly going to impact both our strategic goals and objectives, and of course, the financial impact. From a strategy point of view, as I shared that now we have good partners and we have good international relationships with us, and we can focus on the research, we can focus on the backward integration. So we have not invested much on creating new brands and new positionings, which again is a part of the business strategy now.

So other things, friends, is one more important is that India is becoming the manufacturing hub, both for medical devices and for the API. So the whole world is looking at India as a capacity base or a manufacturing base. So since we had only limited capacities, so we were not able to participate in a big way into the, I would say, mainframe that, okay, we thought we could not offer our capacities to the large players, whether U.S. and Europe, everybody's looking at India as a partner now. So in short, we'll be part of the China Plus One model, which we all have been talking. But now with this capital, we will be able to participate into the bigger scale.

And from a financial impact point of view, so the new capacities will help us achieve the EBITDA margins and -- a little higher EBITDA margins, 3% to 4%, and of course, to achieve a revenue growth of 15% to 20%, which we have been doing earlier. We have been growing at a CAGR of 18% as a company. And though the medical devices have been growing at a CAGR of between 25% to 27%, but this additional capital certainly will help us grow at a steady pace. And more importantly, get new markets, new customer base, whether in India or abroad. And of course, increase our distribution and reach. And for the benefit of everybody, to get better ROI and better return on capital employed, which we all appreciate and respect.

So this was broadly in the QIP, so I'll quickly switch to the financial results and financial performances. I know that financial results have been circulated already in their own stock

exchange and the website of the company. Most of you might have gone through it. Just to run through quickly, and as we said that this is a fabulous performance that we have delivered this time. So despite the ups and downs of the market, our team has delivered 14% increase in the gross revenue and almost 93%, almost double the EBITDA margins. So at 93% gross margins - - increase in EBITDA margins, so profit before tax has jumped 135% for this quarter. And of course, this quarter is a great quarter for medical devices.

Typically, this quarter is low for the API, but even API has done better. And profit after tax is 147% up. It means it's almost two and a half times the profit in the same quarter last year. These are all year-over-year basis. I'm not getting the numbers yet. But based on the profit after tax, 147%, the earning per share has certainly gone up.

And now the earning per share for the last 12 months, we call it, TTMs, trailing 12-month earnings. The trailing 12-month earnings are INR2.30, so -- which is, again, I would say, on an annualized basis, if we see, this is almost the highest earning. We had INR2.27. So this is a big move the Company has made, and we have reached to a level that, okay, we are at a INR2 plus EPS. And now, for sure, with 6.7% addition, this EPS may look a little down in the...

**Moderator:** Sorry to interrupt, sir. The line is not clear. Can I disconnect and reconnect again? Or can you just give me another number?

**Sushil Suri:** Yes, yes, go ahead.

**Moderator:** Ladies and gentlemen, the management line is on hold. Yes, we have the management line back. Hello, sir. Please continue.

**Sushil Suri:** Yes, thank you. So as I was telling that the quarterly results have been phenomenal in terms of the rate of growth across revenue at 14%, EBITDA margin of 93%, profit before tax 135%, and profit after tax 147%, and the earning per share for the trailing 12 months has gone up from INR1.88 as on financially closing to INR2.30. So this is a good growth. So I'll quickly switch to the consolidated results. So friends, this quarter we had INR458 crores of top line -- INR458.64 crores, which is almost 14% up from the last year. And this includes both pharma business and medical devices. And in pharmaceutical business, we have grown 11%, INR320 crores revenues in the pharma and INR138 crores revenues.

**Moderator:** Sir, give me a minute. Ladies and gentlemen, thank you for patiently holding. We now have the line for the speaker reconnected. Over to you, sir.

**Sushil Suri:** Yes, please. Sorry, guys. We are all become slaves of the technology. But it's back in action. I'm now on the mobile phone. So dear friends, as I was telling that we have two main businesses, pharma and medical devices. The pharma business has grown 11% and having a total revenue of INR320 crores, while the medical devices business has grown 20%, INR138 crores revenue, which again, totaling up to 14% revenue increase, INR449 crores total. And the pharma share is 70%.

And this year, this quarter, the medical device share has gone up more than 30%. So 30.2% is the medical devices business. So it's an interesting development that as compared to the last fiscal, where the medical devices was only 26%, now it is 30%. So we expect that in the going time, if medical devices business keeps on growing at the same pace, so maybe it has some better numbers.

So this is a great beginning of the year, I would say. And of course, in the coming quarter, this may change quarter-to-quarter. So as I shared that quarterly number from INR409 crores to INR459 crores. So there's a 14% increase in the revenue. And interesting point here is 31% increase in the export business. So export, of course, is primarily for the API business. So there's a 31% increase. And due to softening of the prices also, the raw material prices, our gross margins have also increased. And of course, in medical devices, the main event of the quarter was that we were short of capacities and we were focused on doing a backward integration and trying to do more of the production, more of the machinery, so that we can feed the customers.

So switching next to the financial numbers, which is the earnings level. So as I shared that this quarter, we had the highest EBITDA ever, INR55.05 crores, which is 93% up from the last year. And almost 5%, 6% up from the Q4. Q4 is usually high for API. But again, whether Q3 or Q4, one division or the other, so this is the highest EBITDA, 93% increase in the EBITDA.

And at the PAT level, profit after tax, we have INR36 crores of profit, which is 147% up as compared to the last year of INR14.63 crores. And now, since we are a debt-free company, we do not have much interest component. Our cash generation is also up 91% as against 93% of EBITDA. 91% increase in the cash generation, which is INR53 crores.

So then coming specifically to the medical devices business, which is the lead business, which has been doing wonderfully well. So I just wanted to share the recent numbers, which have been given by the Invest India, which is the Government of India enterprise. So that the medical devices business industry in India is only \$11 billion, which is like INR90,000 crores. And as per the government estimate, it is going to be \$50 billion in 2030, which is like we are seeing that is seven, eight years away.

So the market of medical devices is growing 15%, 20% CAGR year-on-year. And as per their estimates, and I would say more of predictions, that, by 2057, when India turn 100 years, so -- 100 years of independence, so the market is expected to be \$250 billion. So these numbers are, I would say, as on today, are irrelevant.

My main point here is that this is a growing segment. And as per the Government of India, this is a sunrise industry and this is going to grow from here to multi-fold. Not only that India is growing, but globally also, we are very miniscule. By 2030, India will be only \$50 billion and U.S. will be \$300 billion, China will be \$200 billion. So that's almost \$1 trillion market expected by 2032. So it's a large segment, and it's a growing segment.

And we have entered this industry at the right time. And now, we have a young population in India. In one side, they are adapted to these instruments. And of course, there's an aging

population on the other side who use these devices. Affordability is increasing. Middle class is increasing. Testing patterns are increasing.

So we are seeing that the good growth is coming up in this business and we certainly want to be present and be leader in this market. So glucometers and BP monitors, both, we are market leaders in India. Of course, with the new capacities, we are working that, okay, how can we get certification for exports? So in another two to three years, exports would also become a dominant thing in the medical devices business.

So on the revenue side, I shared that on a quarterly basis, from INR114 crores to INR138 crores, there's a 21% increase in the medical devices. Of course, last year, there was a 35% increase. So we have three more quarters to see how the growth comes up. Here friends, we have a very interesting business model that we have a strong customer base. We have 12 million -- 12.3 million meters installed in the market. That's like our customer base. So typically, they say that, okay, whatever the customer is there, so he would keep on buying the strips regularly.

So if we have almost 1.2 crores meters, we have invested that money in the market to place those meters. And of course, we have to sell strips for the rest of the life. So it's like a typical printer cartridge model. And this is a locked-in system. Our meter can use only our strips, and our strips work only on our meters.

So that way, it's like a regular annuity business. So -- and we have loyal customers who have been buying strips regularly. So last year, we sold 36 crores strips in one year. And this year, in first quarter itself, we have sold almost 12 crores strips. So that itself is showing around 25%, 30% growth in the strip business.

Going forward to the BP monitors, last year, BP monitors grew 27%. So we sold 3.36 lakh meters last year. And this year, the meters are growing at 29%. So we have INR26 crores revenue for the meters in one quarter. So last year, it was INR80 crores for the whole year. So maybe this year, we cross INR100 crores for the BP also. So of course, in BP, earlier time, during COVID time, there were a lot of import happening.

But now, we are doing almost 100% backward integration. So we are installing more dedicated SMT lines for the BP monitors, gluco monitors. So we have all the backward integration done for both the medical -- all the medical devices. So we are manufacturing all the medical devices now from the bare chips and we are doing all the chip mounting. Everything is happening within our own factory. We have very highly sophisticated automatic robotic machines, so -- which do the mounting also.

So quickly switching the gears. I know we have lost a lot of time in the call setup and everything. So after the medical devices business, which is a promising sector and fast growing, we come to our core business, which is our main growth engine. We have been market leaders for four products where we are number one, Loratadine, Desloratadine, Montelukast, and Fexofenadine. These are the four APIs we are number one in the export component. But for the first three

products, Loratadine, Desloratadine, Montelukast, we are number one globally in terms of the capacities, in terms of our revenue share, from export, at both the level.

So three products, we are market leader. And fourth product, we are leader in terms of exports. For the last 15 years -- 15 months of data, since it's the first quarter, so one quarter data doesn't make much sense. So we always take a longer-term view. For the last 15 months' data, so four quarters -- four products, we are number one. And two products, Fexofenadine and Rosuvastatin, we are number three in terms of exports. We've got 15% share and 12% share in Atorva and Rosu. While in Loratadine, we have about 67% share. In Desloratadine, 26% share. Montelukast, 44% share. And Fexofenadine, 22% share.

I won't bore you with the numbers. But friends, the main point is that 85% of our revenue for the quarter comes from these six products. Other than this, we have Sitagliptin, Linagliptin, Dapagliflozin, Empagliflozin, which are also growing to a size. And the whole idea here is that over a period of time, maybe two to three years, five years from now, so this 15% number will keep on increasing. And the core products should, I would say, will have lesser growth, and new products will have more growth. So by 2030, so the new products will be more than 30%, 35%. And old products will be around 70%.

So that's on the API side on the revenue numbers. And the business model in API is primarily focused on exports. 71% of the business is export. And we have more than 700 customers, out of which 500 customers are located worldwide, in all the U.S. The advanced market like U.S., Europe, Taiwan, Korea, Japan. And of course, we have 200 customers in India also. All the big boys in India, all the top companies in India are our customers. And as I shared earlier, the export, there was an increase of 31%. Then if we go specifically by markets, U.S. market is 12%, Europe market is 24%, Middle East is only 0.5%, Southeast Asia is 26%, India, of course, is around 30%, South America is 5%.

So last couple of years, export markets were tumbling up and down because of the pre-COVID, COVID, and post-COVID, all the things. But now the things are stabilized. And last year, we had grown in all the continents. And this quarter also, we have substantial growth in Europe, 130% growth in Europe, and Asia Pacific, and of course, South America, 80% growth. But in the U.S. market, in the first quarter last year, we had exponential growth. So this year, it has softened a little.

So it is a 33% drop in the U.S. market. And India market, we are purposely focused less because of the lot of price drop in the API market. So we are trying to reduce our exposure to domestic market because of the lower yields. So our focus is more on export. So India market also, we have reduced our share by 16% -- reduce our, I would say, the growth is -- it's a degrowth of 16%. But otherwise, the markets are very fancy on all the countries.

So as a pharma business, as a total, as I shared earlier, the number is INR320 crores, grown from INR288 crores, 11% increase. And out of this, almost 75.5% is APIs, and we have Rx and OTC, which is also a part of the pharma business. We have dedicated distributors, both for pharma and for the medical devices, separate teams. And of course, API distribution is global, which is more

of a B2B. And coming specifically to the revenue numbers, as I shared that there was a substantial increase in EBITDA margins. So it was INR28 crores to INR55 crores. But important here, friends, is that last year, first quarter, our EBITDA was 7.07%. I would say 7%. But now this quarter, it is 12%.

So after a very long time, in the first quarter, we have got a two-digit -- double-digit EBITDA margins, which is 93% up. And similarly, in the profit after tax, last year, same quarter, we had 3.63% PAT. And now it is 7.89% PAT. So the idea here is that slowly, slowly, we have to go to double-digit PAT numbers and maybe 12% to 13% to 15% EBITDA numbers over the next three years, which is, I would say, the industry norms.

And of course, the last slide is on the earning per share. I already shared with you that from a TTM level, it is INR2.30, but from a quarterly level, for the Q1, EPS is INR0.71. I mean, INR0.71 is earning per share for the quarter. So you can multiply if you see how much would be for the year. But we always say trailing 12 months, so that the quarterly adjustments are taken care of. Some things go right, some things go wrong. But on a 12-month basis, you can always see the right number.

So I would say that's all from my side. And again, sorry for all the disturbances in the call. So over to you, Tushar. So how do we want to go next?

**Tushar Manudhane:** Yes, Shivangi, we can open the floor for Q&A.

**Moderator:** Yes, sure. Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Purva Jhaveri, an Individual Investor. Please go ahead.

**Purva Jhaveri:** Yes, congratulations on the good set of numbers. And I just had one question regarding the EBITDA margin. So on a blended basis, what will be the EBITDA margin going ahead?

**Sushil Suri:** Purva, we do not, of course, give overall specific guidance, but as I shared that with the increased investment in backward integration and with better buying power of the raw materials and, of course, a lot of investment in R&D, our EBITDA margins are expected to go 3% to 4% over a period of next two to three years and now this year, for example, is around 12%. So we are expecting it to go to 15%, but I'm not saying in next quarter or next year. So this is a process and a journey and we are not allowed to speak much on the future projection, but I'm giving you that, okay, this is how the trend is expected to be. And we are seeing the past trend from last year around 7.89%, we're moving to 12%. So there's a substantial increase in EBITDA margins.

**Purva Jhaveri:** Okay. Thank you. And another question was on the capex side. So what is the capex outlay going ahead, like, as you raise the QIP? So what will be the capex outlay and how it will be going?

**Sushil Suri:** As, Purva, you may already might have seen in the presentation, so 61% of the money, around INR123 crores, is being used for the capex and out of which around INR75 crores is for the -- INR78 crores is for the APIs, for the increasing capacities of the APIs, from 400 KL to 600 KL.

And then around INR43, INR40 crores is for the medical devices, where we are increasing capacity of the glucometer from 2.5 million to 5 million, glucose strips from 500 million to 700 million and BP monitor 1.2 million to 2.5 million and API capacity from 400 KL to 600 KL.

- Purva Jhaveri:** Okay, sir. And sir, just one last question from my end, regarding the tax rate, sir.
- Sushil Suri:** Regarding the?
- Purva Jhaveri:** So can you just -- regarding the tax rate. Tax rate.
- Sushil Suri:** Tax rate. Yes.
- Purva Jhaveri:** Yes. So can you just guide on the idea of tax rate, what will be the tax rate going forward?
- Sushil Suri:** Ajay, you can help that?
- Ajay Sharma:** Hello?
- Sushil Suri:** Yes, Ajay, go ahead.
- Ajay Sharma:** Yes. I think tax rate currently, we are having around 26%, so we should be maintaining this much, because we'll be doing capex next year, so that effect will come in, say, '25, '26. So more or less whatever tax rate is coming, that will be maintaining.
- Purva Jhaveri:** Okay, thank you so much.
- Sushil Suri:** Thank you, Purva.
- Moderator:** Thank you. The next question is from the line of Sunil, an Individual Investor. Please go ahead.
- Sunil:** Good morning Sir, Regarding the -- in last previous quarter, you have mentioned that one of our competitors is exiting about the Indian market. Any update about that, sir?
- Sushil Suri:** Competitor is exiting?
- Sunil:** Yes.
- Sushil Suri:** Yes, Sunil, in medical devices, in glucometer line, we had told that there is no official news about it, but Roche has upfolded its sales team into their diabetic team. It's the media news. And certainly, they are in an attempt to only focus on the distribution of the strips and meters to a distributor, and they are trying to reduce the focus on the sales team, and that's only a media news. So I do not have any official confirmation from them, but yes, that's what is our reality. But in the market, we know that we are getting more and more shares, and the competition is really -- the main competition is really, really noticeable.
- Sunil:** Okay, thank you. That's all for my side.

**Sushil Suri:** Thank you, Sunil.

**Moderator:** Thank you. The next question is from the line of Sakshay, an Individual Investor. Please go ahead.

**Sakshay:** Many, many congratulations for the numbers. I have simply three questions. The first one is, since we have so much in cash in hand right now, are we looking for any acquisitions in the upcoming quarter?

**Sushil Suri:** Certainly, as per the QIP plan purposed, we do not have any immediate plan because the money has been raised for the capex and of course for the working capital. But that does not mean that we are not open for acquisitions. If we get a valid acquisition, it adds to our synergy and it adds to our strategy, so we certainly will be able to do that. But if it's an immediately on hand, we are evaluating multiple things, but certainly we have to see the cash surplus if we have surplus to acquire.

But certainly, we have to come back to you in case we have some any bigger plans. But as on today, we are certainly looking for more of a capacity expansion. And if we get some readymade plants wherein which meets our standard and strategy, so we are open. But we do not have any big financial outlay plan for that out of the existing QIP.

**Sakshay:** Okay, excellent. And any upcoming launch in the OT and finished product segment?

**Sushil Suri:** There are multiple launches, but I do not have any ready data with me. And of course, the major product in OTC, which we can talk, is we are launching a weight loss product. Weight loss and obesity is the biggest category these days globally and even more so in Europe and U.S. India also is trying to copy.

So we have a product coming from U.K., which we have assigned a joint ventures and they will be supplying the basic ingredient and we will be doing the product distribution, marketing and everything in India. So this would be launched anywhere between September to October. We try to catch the festival season, but we are still at least a month, month and a half away. So that's a big thing for the weight loss category.

Because most of the companies are focusing on the doctors' chamber and of course the products are very costly, semaglutide, liraglutide. So many products are being talked and there are injectables also. But we have seen the trend, the consumer still wants something at home in the comfort of home, which he can follow at peace. And according to his guidance, nobody wants to be treated by a doctor for weight loss. Weight loss is more of a lifestyle issue. So certainly, whenever we have an update, we'll come back to you. Thank you.

**Sakshay:** Yes, sir. And my last question would be, are you looking good segment in the device business? Since you said there's a market available for it in the international markets. So are we looking for any export in the device business?

**Sushil Suri:** In the international market, as we shared in the previous commentaries that we are looking for exports and certainly for export market, we have to develop large capacities and of course go for backward integration. So we are working on the backward integration. Of course, now not a part of this QIP, but in general, we are going for backward integration for the strip manufacturing.

So of course, we are already doing most of the backward integration of the electronic part. But once we do that, so we'll have a large base for the capacity and we have already been in dialogue with Walmart, Walgreens and CVS of the world and I'm not saying any specific name, I'm just generally telling these broader names. And one of them has already visited our facility and they have started auditing the facility.

One company from Korea has also done the audit of the facility. So basically, at a larger level, their capacities and their requirements are huge and we see that India is just the tip of the iceberg and we are just, I would say, 3%, 5% of the market. So if we open the global market, which has a huge capacity, so we have the whole world with us. And that's where we see a lot of big opportunities.

**Sakshay:** Sir, that's it from my side. Thank you. And congratulations again and best of luck for your future endeavors.

**Sushil Suri:** So nice. Thank you very much. I appreciate.

**Moderator:** Thank you. The next question is from the line of Abhishek Gupta, an Individual Investor. Please go ahead.

**Abhishek Gupta:** Thank you for the opportunity. My question is regarding medical devices, like other than gluco and the BP. What are the sales and the growth that we are seeing on the other devices like the pregnancy kits and all?

**Sushil Suri:** Yes, Abhishek, as I shared that we this is a very fast-growing business, rather the fastest growing business in our kitty. So we have been growing at 27%, 28% CAGR year-on-year. And last year we grew 35%. But that actually was not a part of the CAGR, which is overshooting. But this year we have grown 21% in case of devices business as a whole. And wherein BP monitors have grown 20%. And I'll just pick the number for the glucometer also.

Glucometers have grown 17% and BP monitors have grown 20%. So going forward -- BP monitors have grown 29%. Going forward, we expect the same CAGR to continue between 20% to 25%. And God willing, once we have increased capacities and we are able to have connect with the global market, so we can expand and grow at a much faster pace. Very promising line this, Yes.

**Abhishek Gupta:** Okay. And one more question regarding that the media news regarding the Roche International is not going forward, just the media news. So what are our plans regarding the extensive marketing to capture those devices and get them transferred to us?

**Sushil Suri:** Look, Abhishek, certainly, we are in the market. We are in the trade. We are there at the 128 retail outlets. We are there in the market. So we don't have to take any major extra steps to capture that because if the other product is not available at the counter and we have the best alternative available, so customer certainly comes to us, as Dr. Morepen, we have established.

But you're right, we still have to have some extra marketing efforts and everything. So last year, we had a big campaign with Rahul Dravid and on both BP and glucometer. So this year, I don't know, KBC is the most prestigious show in the country and of course most watched family show and Amitabh Bachchan is personally leading the show. So we have our display ads on KBC and I don't know if you have noticed.

So on the desktop, which is in front of Mr. Amitabh Bachchan and in front of the candidate also. So both places, you would see Dr. Morepen's glucometer. So this is the best we could have done. So well, it's just the beginning and we are certainly keep on exploring that, okay, how do we get to more market share? But I would say advertising alone is not enough.

We have to have service, we have to have relationships and we have to have backward integration, we have to have cost saving, and more importantly, any technology of development. So there's a lot happening and certainly the whole idea is that if it's growing despite all these things, there is something right we are doing.

**Abhishek Gupta:** Sure. Got it.

**Sushil Suri:** Thank you, Abhishek. Thank you.

**Moderator:** Thank you. The next question is from the line of Tushar from Motilal Oswal Financial Services. Please go ahead.

**Tushar Manudhane:** Yes. Sir, just extending on this medical device piece, so maybe like over next one to two years, which region would be the focus area or which region we are already established if you can elaborate?

**Sushil Suri:** Tushar, the way I look at it, of course there are two broad markets, India and exports. So India market has a share that we already have 128,000 retail outlets and we are going up to 3 lakh retail outlets in next three years' time. And major is that of course, as in today, the company is still dominant in North and East. So we still have a lot of work to do in South and West and we need to keep on working for that.

And for that we need to have more distribution, more reach and more of, I would say, retail coverage over there. So we certainly need to expand our market reach and once we have all India reach, without doing much, our top line and our reach would increase. But important here is that India market is still in the nascent stage. So we -- even if we grow at 25%, 30%, it's fine. But if we get global market within the next two to three years' time, so we will get a much bigger jump. So I would like to say, for next three years, it is going all India in a big way.

**Tushar Manudhane:** And this backward integration project will commercialize when, sir?

**Sushil Suri:** Backward integration, Tushar, is already on and we have already done the civil part. So during this financial year itself, the backward integration of the chips would come. And of course, the expansion of capacities for BP and gluco thermometer and weighing scales, all is happening, as we speak.

And this certainly will keep on seeing the results from Q3 onward, Q4 onwards. But the backward integration chip manufacturing, which is more of a technical part and we are working with our counterparts abroad, I'm not sharing the news. So we are working with them, and at appropriate time when we have a news to share, certainly we'll come back to you. But that's the main event the company has in this cart.

**Tushar Manudhane:** Understood, sir. And then on the API side, is this like the price is softening across the geographies or is it more certain region-specific? And secondly, is it across the products or is it certain product-specific?

**Sushil Suri:** Tushar, what had happened is that during the COVID time, China was acting very pricey and very, I would say, strategically they were trying to increase the prices, and of course, we were blaming them for COVID and they were making all the money there. So they had jacked up the prices of almost all the intermediates.

I'm not saying that our product or all intermediates, whether it is paracetamol or it is ciprofloxacin or diclofenac, I mean, everything had become costlier and our revenues had also jumped. And honestly, customers were also paying high price because of the COVID, because of the panic. But this was very temporary and China got a big, I would say, slap on their face when everybody started boycotting China.

And on the other side, post-COVID, demand had slowed down. So all their high-value items, all their pricing things came to a stop because nobody was buying, because there was no demand. Post-COVID, there was a lull.

So now the position of China is that they are sitting on full warehouses, fully-stacked warehouses and there are no customers to buy because the demand was not so much as was at the time of pressure in COVID. So there is an overall drop in prices in the -- in China and that softening has helped us to regain our price levels.

And rather, we have strategized in such a way that, okay, we should be able to increase our margin. So we, last year, our gross margin was higher. This year -- this quarter, it's certainly higher. So certainly, going forward, we do not want to depend too much on China. But yes, that's a global phenomenon. So it may keep on affecting.

The whole idea is, for example, in medical devices, they're trying to bring everything in India so that we don't depend on them. We all know what happened in medical devices. So that's where government of India is caring now that they want to put everything in India.

**Tushar Manudhane:** Understood, sir. We have other participants in the queue. Shivangi, you can take them, please.

- Moderator:** Yes, sure. The next question is from the line of Dhaval Jain from Sequent Investments. Please go ahead.
- Dhaval Jain:** Yes. Sir, I just wanted to know that we are doing a capex of INR123 crores. From that, INR78 crores is for API and INR40 crores to INR45 crores is for the medical devices. So can I know the asset turn that can be a potential from all these capexes for API as well as medical devices?
- Sushil Suri:** Ajay have -- you're asking about the asset turnover, is that right, Dhaval?
- Dhaval Jain:** Yes. Asset turnover for the capex, yes.
- Sushil Suri:** Yes. Ajay, you have the numbers with you ready?
- Ajay Kumar Sharma:** Yes. So asset turnover for API, we have 7.2. So we shall be able to maintain this asset turnover. In the future, maybe we'll improve our asset turnover. We are putting the new modern machinery so that will really enhance. And because we are putting capex at one point of time, we will improve the efficiency level as well. So asset turnover definitely will improve.
- Dhaval Jain:** So 7.2 for API and for medical devices?
- Ajay Kumar Sharma:** Medical devices currently it is quite high because it is around 10.5. But as we do more backward integration, so it will stabilize around 9 or something, 8.5.
- Moderator:** Sorry to interrupt. Mr. Dhaval, can you just mute your line while the speaker is speaking? There is some disturbance from your end.
- Dhaval Jain:** Yes. Sorry about that. I just wanted to know what are the margins that we aim to maintain for API and medical devices? Is there a ratio on that? Or do you just have a blended margin that we always support?
- Sushil Suri:** Ajay, do you have the numbers?
- Ajay Kumar Sharma:** Yes. You are talking about EBITDA margin for API business?
- Dhaval Jain:** Right.
- Ajay Kumar Sharma:** And devices? Yes.
- Sushil Suri:** Yes, pharma as a whole. Pharma and devices as a whole.
- Ajay Kumar Sharma:** Yes. pharma as a whole, because this quarter we have done EBITDA of 12%. So going further, for this financial year at least, so we should improve from 12%. And going forward, we are targeting that it should improve at least by 3% in another three years' time. So that is for the overall. So EBITDA margin will definitely improve.
- Sushil Suri:** Separating for pharma and devices?

**Ajay Kumar Sharma:** Yes. In fact, for pharma business, we have EBITDA margin of currently -- one moment. We are targeting for this financial year EBITDA margin of around 10.5%. For devices, we are expecting EBITDA margin of around 15%.

**Dhaval Jain:** Okay.

**Ajay Kumar Sharma:** Yes.

**Dhaval Jain:** Okay, sir. Sir, just one last question. What are the working capital days for the medical devices business?

**Ajay Kumar Sharma:** Yes, working capital, if we see the last financial year, the working capital days were around 70-odd days for devices business. For API, it was 90 days-plus. So I think we should be able to maintain these numbers as we go further. Maybe in devices, because we are doing backward integration, the working capital will go up as we do more in-house manufacturing.

**Sushil Suri:** Yes. Dhaval, on the working capital, I may add that we had a very interesting position in medical devices because we sell on advance payments. So we were getting credit from China and Korea, and of course, selling on advance payment. So virtually, we were working on a negative working capital for the medical devices for a very long time.

But now, since we are going more backward integration, like Ajay said, so our holding time increases and certainly we have to hold inventories of raw material, work in progress, and finished goods, everything taken together. There is a nominal increase in the working capital, but it pays back because we have better margins.

**Dhaval Jain:** Right, sir. Right, sir. Sir, just one last question. For the medical devices, like we sell glucometers and for that we sell strips. So for one glucometer, how many strip sales happen, like if there's a ratio for it?

**Sushil Suri:** There is no specific ratio, but certainly we have an average. So that country average is low. If we take last three years average, that what numbers you have sold on the last three years, what meters we have sold in last three years and how many strips we have sold. So it is almost 50 strips per meter per year.

So basically, once a week people check 50, 52 strips, so once a week people check sugar. But if we simply see based on the current year meter, for example, last year we sold 24 lakh meters, so we had sold 36 crores strips. So on a one year basis, it's 150 strips per meter. Very good. So we are assuming that a three year average shelf life or maybe if we take two year shelf life of a meter, shelf life means people actively using, shelf life is like 10 years, 20 years, it doesn't get spoiled. That's a broad number. 150 meters we sell for every strip, every -- 150 strips for every meter we sell every year.

**Dhaval Jain:** Right. Perfect, sir. Sir, thank you so much for that, and all the best, sir.

**Sushil Suri:** Thank you, Dhaval. Thank you very much.

- Moderator:** Thank you. The next question is from the line of Pradeep Singh from Finterest Capital. Please go ahead.
- Pradeep Singh:** Thank you for the opportunity. Sir, can you give me any ball mark number regarding revenue for FY '25? Hello?
- Sushil Suri:** Yes, please. We certainly do not give the guidance. But Ajay, you have some estimated numbers? And I feel like we'll continue growing at 15% to 20%.
- Ajay Kumar Sharma:** Yes. We should be able to maintain at least 15% to 18% revenue growth.
- Pradeep Singh:** Thank you, sir. Thank you so much.
- Sushil Suri:** Thank you, Pradeep.
- Moderator:** Thank you. The next question is from the line of Kunal Prakash Shah from KS Group. Please go ahead.
- Kunal Prakash Shah:** Hello Sir, I wanted to ask you. Yes. Your company works in APIs and advanced chemicals. So your competitors have started a new segment for the manufacturing of electrolytes for electric batteries. So are you interested in doing something related to that in the back-end? Are there any announcements yet to come? Or are you interested in it right now?
- Sushil Suri:** Kunal, you have raised a very good question. And if we talk in Hindi the hottest topic right now is what else can be done. But I would say, as a part of the strategy, there's nothing in our hands right now. Certainly, we keep doing R&D and many such things. But we keep if something comes up, certainly we will be talking.
- So we have studied this market for EV and everything together. But certainly, since we are already doing medical devices and we were short of capacities and everything, our whole idea was to focus on what's in our hands. And then after that, we can go to whatever the whole world wants. But as on today, there's nothing on the cards, but yes, once we have some good news, we'll certainly come back to you.
- Kunal Prakash Shah:** Okay, sir. Thank you.
- Sushil Suri:** Thank you, Kunal. Thank you.
- Moderator:** Thank you. The next question is from the line of Sunil, an individual investor. Please go ahead.
- Sunil:** Hello, sir. Thank you for giving me a chance again. My question is regarding marketplace channels like Amazon. We have very good rating and reviews and almost we are of the -- almost top selling products in the glucometer segment. I read many reviews and mostly about counterfeit products on Amazon for glucometers. Are we doing anything to control the counterfeit -- or issue of counterfeit assets?

**Sushil Suri:** We have certainly added the new holograms and we keep on changing the packaging. And last year, we even changed the packaging of the BP monitor. We tried to change the color of the pack. Sometimes we make orange meters, sometimes we make blue meters so that the competition doesn't copy. But these sort of, I would say, unethical things people keep on doing. But we always encourage people to go to hologram and there's always a customer care number and you can always compare the batch number. So Government of India is now coming with a guideline that, okay, you can scan it and check with your QR code.

But honestly, our customer doesn't make an effort to scan and go and check, and of course, the competition is there. So we are trying to work out that, okay, we should have a foolproof packaging. And I appreciate your concern about it, but we always say on the lighter side that if your products are being copied, it itself means that you have established a brand. But sometimes it spoils our reputation. So we'll certainly working on the new holograms.

**Sunil:** Okay. Thank you. That's it.

**Sushil Suri:** Thank you, Sunil.

**Moderator:** Thank you, as there are no further questions, I would now like to hand the conference over to the management for closing comments. Please go ahead.

**Sushil Suri:** Thank you, Shivangi. I would like to thank all the shareholders and I would say old and new shareholders who might be present in the call, particularly the new institutional investors for being so patient and thank you for reposing all the confidence in us. And I'm extremely sorry for all the hiccups of -- due to not a better-quality call, as we love that. We are -- I would only like to recreate that it's a historical moment. We have entered Morepen 2.0 phase and we are confident that there is no looking back now. Thank you very much guys. Have a wonderful day ahead.

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