



“Morepen Laboratories Limited  
Q4 FY '25 Results Conference Call”

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

**Moderator:** Ladies and gentlemen, good day, and welcome to the Morepen Laboratories Limited Q4 FY '25 Results Call, hosted by Motilal Oswal Financial Services 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Tushar Manudhane from Motilal Oswal Financial Services Limited. Thank you, and over to you, sir.

**Tushar Manudhane:** Thanks, Navya. Very good morning, and I welcome you all for 4Q FY '25 Earnings Call of Morepen Laboratories. From the management side, we have Mr. Sushil Suri, Chairman and Managing Director; Mr. Ajay Kumar Sharma, Chief Financial Officer; Mr. Vipul Kumar Srivastava, Company Secretary and Compliance Officer; and Mr. Nishant Jayesh Doshi, Vice President, Corporate Finance and Investor Relations.

Over to you, Sushil sir for opening remarks.

**Sushil Suri:** Good morning everybody and welcome back to the earnings calls of Morepen. I hope you all are comfortable at your homes. We all know that our media and our skies were busy for the last couple of days. Hopefully, everybody is safe and comfortable at home. And salute to the Indian Army for having done a very good job in the last 3- 4 days. So let's hope for the best.

So friends, without wasting much time, so I would like to come straight to the point that is about the annual results and the quarterly results. Since this is an annual presentation, so it may be a little more detailed and I'll try to be as short as possible. In quarterly results, we usually talk pure numbers, but in the annual results, we talk about the overall business model of the company as such.

So for those who have joined the call for the first time, so company deals in 2 kind of businesses. One is pharma business, and one is the medical devices. Pharma business consists of the basic APIs, then we have some prescription drugs, then some consumer drugs or consumer products, which is OTC.

So the pharma business is around 73% of the company, which is the oldest business. And medical devices, which was, of course, now medical devices also 25 years old, medical devices business is 27%. So technically, both are in the healthcare, but still medical device is a device, rest of it is a product. So that's one difference. So in devices, we do not give a product for you to eat and consume. In rest of the thing, we make tablet, capsule, syrups, all that stuff.

So particularly talking of the broad 40 years of journey. So we have a strong credibility and commitment in front of our customers. We have over 1,000 customers spread worldwide, which are our API customers. Then we have got around 3.5 lakh of retail distributions, which are our touch points all over the country.

So we have this long-standing relationship, which we are proud of, and we are happy to share that these relationships are growing day-by-day. So then we are market leaders in 6 APIs, 6 of the bulk drugs which we produce, we are market leaders. So we'll come to the details later.

Your company is exporting to over 80 countries. So I'm keeping the number constant for the last couple of calls because sometimes it is 82, sometimes it is 83, sometimes export doesn't go to any particular limit, but broadly speaking, 80 countries -- over 80 countries we are exporting.

So friends, the interesting thing here is our API business, which is around more than 53% of the total business, 72% of the business comes from export, which is obviously high value-added and hard currency earnings. We do not have much exports to third world countries. These are all hard currency, dollar currency exports and good value generation. Then your company is market leader for the 2 medical devices, glucometers and BP monitors, which is 90% of our business in the medical devices.

We are the market leaders there. And we are the only company in the country, which is fully integrated manufacturing for medical devices, end-to-end supply chain, end-to-end manufacturing for the medical devices.

Then 20% of business comes from our finished dosage, including Rx and some OTC products. So we are increasing our focus on the formulation business. We are adding more products, and we are adding more manpower there. And on the OTC front also, we have got a strong portfolio of brands with some of the legacy brands like Burnol and some of new age brands like LightLife, it is for the weight loss. So that's an overall picture of the company.

So now I will go to the specifics that what are the numbers and how the year had been and how the quarter had been. So at a broad level, the quarter had not been very good in terms of profitability, but we have been able to maintain our relationship with the customers and got a good ordering position.

But in terms of profitability, we are much better for the year as a whole. So last year, we had clocked a turnover of INR1,700 crores, INR1,704 crores. And this year, it is INR1,830 crores, 7.4% increase in the revenue, which is lower than expected.

We were expecting at least 10% to 15% growth. But we all know that the whole year was disturbed because of the geopolitical situations in Europe and of course, lately this tariff thing in the last quarter. So the top line growth is only 7.4%. And in the year as a whole, for the quarter, it is 10.1% from INR427 crores last year, now this year, it is INR470 crores. So obviously, this year, we are expecting that the quarter should touch -- every quarter should be INR500 crores. So that's where we are coming from.

And going forward, if we go and dissect a little more into the individual pharma business, which I shared with you that it is 73% of our company's business. So within the pharma business, 73% of 73%, which is like 53% of business come from our API, which is our core and rest of the 26%

business come from Rx and consumer health. So between 2 of them, it is 73%, so maybe 53% and 20%, 53% for API, 20% for the consumer health.

Now going specifically to the Pharma business overall growth. Pharma business last year was INR1,261 crores. So we clocked INR1,334 crores in this, which is 5.8%. And for the quarter, it was 8.5%. So I would say very muted growth, not very great. We are not happy with the growth if it is less than 10%, 11%. But as you go forward, you'll see that strategically speaking, we are reducing our exposure to the markets which are less profitable and our more-and-more focus is towards increasing profitability, and you are seeing that export has been maintained rather increasing.

So as I shared and it has become our leadership quality that for the 6 products, we are market leaders, and we maintain it, quarter-on-quarter, year-on-year. 3 products are anti-allergic product, loratadine, desloratadine and fexofenadine and montelukast semi into anti-allergic and asthmatic also. And then 2 of them are statin. So atorvastatin, rosuvastatin, we are number 4, fexofenadine, we are number 3 and loratadine and desloratadine and montelukast, we are number 1 in the whole category.

So we have more than 60% to 80% market share in the first 2 categories in the products where we are number 1. And we are around 30% market share in atorvastatin, rosuvastatin and fexofenadine. So we have good leadership. And friends, this number of export share, this comes from a data of export out of India, which is available from the various sources.

So we track which company is doing what and of course, everybody does that. So as per that data, the exports of Morepen in terms of quantity is 80% in case of loratadine is going from Morepen, desloratadine 66% export is going out of Morepen, montelukast 77% export is going out of Morepen.

So this is the overall picture. But coming to the revenue split, montelukast is 23% loratadine, desloratadine are another 23%, atorvastatin is 19%. So I don't want to bore you with the numbers, but leadership position is still maintained. So other than these products where we have gained leadership, so where we are not getting much growth in terms of the totality.

But I must share with you that loratadine volume has gone up, loratadine volumes also and value has gone -- volume has almost doubled in the last 4 years and atorvastatin business has grown almost 80% in 4 years. Rosuvastatin business has also grown more than 4x in the last 4 years. Fexofenadine business has multiplied by at least 8x in last 4 years.

So last 4 years was a very, I would say, interesting period that loratadine, which was our key products since last 25 years, this has sort of matured and the growth has been coming from atorvastatin, rosuvastatin and fexofenadine. Montelukast has been, of course, consistently growing. Last year, it was a bit muted. But in general, we are very happy that all products are in a good situation.

Now coming to the new products. So we have a range of diabetic products where we have got a strong portfolio. Main product, which is popular these days is sitagliptin, linagliptin, dapagliflozin, ertugliflozin, saxagliptin, empagliflozin. So all these anti-diabetic products, our sales have grown 3x to 4x, in some cases, 5x, but these are small volumes, small numbers. So this number of times is not important.

But important trend is that the new molecules have now started taking a position. These products have different patent expires in different countries. So sitagliptin, linagliptin, dapagliflozin, these have expired in India, sitagliptin and dapagliflozin. In India, it has expired, we are supplying. empagliflozin product expired last month in April. So we have launched it in India also.

Then there are cardiac products where we have a good range, apixaban, edoxaban, rivaroxaban, ticagrelor, bempedoic acid. These are the products where we have recently, say, updated our documentation. And in India, we have launched apixaban, ticagrelor and bempedoic acid also.

And then there are some, I'd say, new challenges, which as Morepen we have taken. We have launched for the first time in the country, resmetirom, not launched, I would say, we have sent it to DCGI for approval. And it is the first time in the history of Morepen that we have approached DCGI to launch a product. And of course, it was along with 1 or 2 more companies, Mankind was another contender.

So we both have been given permission to conduct bioequivalence studies. So I'll come to the details later. And the API is fully manufactured by us. So a full range of diabetic range, cardiac range and liver is resmetirom.

Other than this product, friends, we have a lot of products which are in pilot scale and under development. So even if you give you some names, it may be random, but baricitinib, tafamidis, bilastine, rupatadine, cariprazine. So these are the products which are under development or at pilot scale, and we are in touch with the customers depending upon the product readiness, these pipeline would also get into the actual commercial pipeline.

This is primarily on the API product list. So the interesting data which has come out is that the new products now have started getting a good growth. And in last 4 years, the new product contribution has gone from INR69 crores to INR114 crores. So there's a 65% increase in the new products contribution in the total API pipeline.

So now we can see this INR114 crores will become INR150 crores and INR200 crores. So basically, the rate of growth will be much higher. In last 4 years, it has grown 65%. It means almost 15%, it is growing every year. In 3 years, it has grown 65%, so 20% increase.

And the overall contribution of the new molecule, which was only 8% in FY '22 is now 12.3% in FY '25. So overall contribution of the new molecules is increasing. So the overall point for you to understand is that there is a 6 products where we are market leader, that's our bread and butter. And now the new growth would come from the new molecules. The new molecule is

only INR114 crores now, but the rate of growth here would be much higher because the patent expiries are lined up for the next 2 to 3 years' time.

So second focus, dear friends, has been more on the exports, and it doesn't mean that we are reducing our focus on India, but we are increasing our focus on export. We have hired a lot of new talent in different regions, different continents. And with senior positions and travel has increased, our exhibitions have increased, customer interaction has increased. So this has led to a 7.6% increase in the export share.

Export in FY '22 was 64%, and we were always targeting 70%. So then 68% last year it was 67%. So this year, FY '25, our export percentage was 72.1%, which is, I would say, a very good achievement for the team and sales team did a good job. And just to give you a number from INR553 crores export, we have reached to INR700 crores export value, so which is a substantial increase. It's almost 26% increase in last 3 years in the exports.

So despite all the ifs and buts in the market, despite all the geopolitical situations, despite all the, I would say, Russia, Ukraine, Israel, Gaza and whatever had been going Iran. So we have grown 26% in the last 3 years for the exports. And it's a very strategic and a very calculated call. So we are not saying it is good or bad. But yes, this is the direction we wanted to adopt.

As I already shared, we are exporting to 80 countries, and these are all very well distributed. We do not have much risk from one country or the other. Then around 500 top-notch customers worldwide, all the big companies in almost every country are our customers.

And interesting thing friends, is that 60% of the business comes from repeat customers, who have been buying since last 5 years, last 10 years. So we do not have to dig new wells every day, but our team had been visiting them, making good relationships and serving them the product which they have been actually wanted. So the team is fully deployed everywhere.

And not, I would say, an official thing, but just for information that during this tariff thing, a lot of people were worried that what would happen, how what is your export content and everything. So our U.S. export is only 16% of the total turnover of the API turnover. So API turnover is 53%. So 53% to 15%, 7%, 8% of the total revenue as far as U.S. is concerned.

So we are not much dependent on anything, any particular country. Europe is 22%, Asia is 28% MENA region, Middle East is 2.9%. India is 27%. South America is 3.4%. So I would say, we are widely distributed, and we do not have any particular country risk or currency risk.

But as my friends you might be listening that in the tariff war situation, so we were very open that, okay, we are selling generics, and we are the cheapest ones in the world. 45% of the generic supplies in the U.S. market are supplied by India. Even if President Trump wants to dismantle this whole story, they do not have an option.

They do not have generic manufacturing in U.S. They are dependent on India. But this was just big myth that medicines are very costly as if India and China are charging high prices. But I'm

sure Mr. Trump has understood after detailed study that it was not India or China, which was charging high prices.

We are still selling cheap, I would say, China included. So it's the U.S. market, it's the U.S. multinationals, they were charging exorbitant prices. And last evening, 9:00 p.m. our time. So he has already told that, okay, they have to give a discount up to 59%. So 59% discount to all the prescription drugs. So thankfully, we are a generic drug, we are a generic company. So very clearly, prescription drugs means the drugs which are under patent and generic drugs means that the patent has expired.

So we are a generic company, we supply generic drugs, and we supply it at a very affordable price, highly competitive price. So business of India would always be stable, and we'd always get repeat orders because we are competitive, we are affordable, and we are a better substitute to the products wherein patent has expired, and we can offer them at a good price.

So this is the overall picture of the exports. And particularly, if we talk of the export values, we have -- U.S. market is almost flat, INR154 crores, INR152 crores. So that's what I was telling that last quarter, we were expecting some good orders, but because of this tariff thing, some shipments have not gone.

Europe market, we have gone very well. We have grown almost 40% in Europe market last year. India market, strategically, we are reducing our stakes from INR320 crores to INR292 crores. APAC margin has grown by almost 10%. MENA and other South African market and South America is almost flat, INR63 crores and 64%.

So we already talked that API was very muted growth, only 3.5% growth. And on the quarterly, it was 4% growth on the numbers of revenues. Here, one interesting factor, which we have shared in the presentation, which I'm sure you have gone through. In the last 2 years, our API sales quantity in terms of tonnage, and you'll be surprised we sell medicines in tons.

So we have sold 476 tons of API in this year as compared to FY '23, we sold 304 tons. From 300 tons to almost 475 tons. So it's 57% increase in the quantity sold. But despite 57% increase in the quantity sold our revenue has increased only 19%. So because there was a price drop, the average selling price of our products, taken all products taken together, some plus, some minus. But company as a whole, if we say, okay, what was the average price, our average prices have dropped 24% in last 2 years.

From an average of INR26,000 per kg, we have come to INR20,000 per kg, INR20,300 per kg. So basically, this price drop is one thing which we had to absorb. And you can understand if we have to produce 57% material more. And as a pharma company, we were not having huge capacities and we talked last time that we had not done much capex in the last couple of years, and we needed to spend money on increasing our capacity.

So whatever capacities we have been increasing since last 2, 3 years, all the capacities are going and being absorbed in maintaining the same revenue or almost a similar revenue, if we had not

increased the capacity, so probably the sales figure could have come down or we could have declined some order because we had no capacities.

So now looking at this declining trend last 2 years, we are hopeful and comfortable that this trend would stop. And as I shared in the last call that we are seeing that China has already started raising the prices, and they have raised the price drastically, I mean, very significantly.

But unfortunately, the market has not responded as yet. Our Indian market has not responded as yet. So the price increase by the Chinese vendors has not been accepted as yet. So we are still waiting for the markets to improve in India. But otherwise, at a global level, the price is always absorbed side-by-side.

So this is what is the scenario of pricing in API. And we shared with you earlier also that the capacity of 300 KL, we had 314 kiloliters. It is going up to 600 KL. So almost double 91% increase in the capacities. Already 514 kiloliters have been installed. And this was part of the QIP proceeds have been used. Part of the QIP proceeds have been given as advance.

So we are confident that within this year, so we had planned 18 to 24 months, but I think maybe by completion of this year, within FY '26, we'll complete all 600 KL capacity. And accordingly, if the price hike also comes in, so we will be able to turn much bigger revenues. And after this, we do not have any immediate plans to increase capacities after 600 KL.

So we are looking for good outsourcing partners. So there are some companies who have surplus capacities or do not have right working capital or do not have the right product mix. So we have been approached by multiple, I would say, vendors who are ready to work with us on these grounds.

So that's all about the products. Then just a brief about our IP structure. We have 55, R&D centers scientists working in different labs. They have filed 168 patents and 325 drug master files all over the world, 27 DMFs are filed in U.S. and Europe, which is the main market. And over a period of time, our scientists have developed 48 new molecules in the API. I shared with you the list earlier.

Then in the finished dosage also prescription product and finished dosage, more than 30 new products have been developed, including the resmetirom, first time in India. So the formulation R&D has recently been activated, and this number is coming in this presentation for the first time. And we do not have any recent FDA inspection, but we have been discussing earlier that we have a hat-trick of NIL 3 observations from FDA and FDA had always given us a green chit for any -- there had not been any major observation, and we always have some minor observations during the FDA inspections. And of course, our chemistry skills are being enhanced day-by-day.

So as you already know that our facilities are approved by FDA, EDQM, PDA Japan, ANVISA Brazil, NMPA China, then MFDS Korea and of course, WHO GMP in India and medical devices facilities are approved by ISO 13485. So the best plant, good capacities, good pricing, what else

the world needs. And of course, very good relationships we maintain with the customers and long-term strategy.

So that was all on the API front, and that's, I would say, our starting point where we started. So now the more-and-more focus is shifting to direct to the consumers, whether it is through doctors or directly to the OTC.

So API is a B2B. So now we are coming to the B2C part. So during the last quarter, there was 29% increase in the finished dosage revenue, both consumer and OTC taken together. And in last 2 years, there's a 21% increase in the formulation revenue from INR276 crores to INR344 crores in the formulation revenue in the last 2 years. So there's a good increase.

And as I was telling what the new molecules, this is also a new trend where the formulation growth will be higher than the growth of the API. As we talked in the API, we have been growing only 3%, 4%. So here, at least the growth is around 10%. It's 21% in 2 years, around 10.5% growth in the formulation business. And we already had shared through a press release that we have a quantum jump in the number of sales representative, medical representatives in the market who are reporting to -- who are approaching the doctors.

And of course, there are managers and area managers, but we are talking at a base number. We are going to double our medical representative strength in this year from 200 to 400 and then to 750 and then to 1,200. So 1,000 more people would be added in the next 3 years' time. And if you go by the industry norms, so the industry standard is 1 person is equivalent to INR1 crore revenue.

So of course, it is going to take 4, 5 years to reach there. But even if we assume that 1 person contributes INR50 lakhs of revenue in the first 2 years' time, 2 to 3 years' time. So we are looking for a significant jump in the formulation sales. And as we speak, the appointments are going, and we hope that by 30, September, we should be able to complete the appointment target. And then rest of the time, we have sufficient time for training and skill development and stuff.

Then as we already shared that Resmetirom, a liver drug, which is for a non-alcoholic fatty liver. So this is a very first-in-class drug, which is very important in particular for launch in India. We have already developed and filed all the documentation to Central Drug Authority, CDSCO. And once we get written approval of the protocol, we'll start the bioequivalence studies.

So this will be a landmark development for the country and for the nation and for Morepen also. We are open for global partners and we have been approached by some large Indian companies also to partner with us. And of course, Mankind has got their own network, but we are in touch with multiple companies that how can we get maximum mileage out of this product.

Then of course, coming to the different brands, which are popular brands in our finished dosage. So we have got good hold on anti-infective categories, Saltum, Cefopen, Klarim, these are anti-infective, antibacterial. Gastrointestinal, a popular brand DOM-DT, which is a domperidone for vomiting, anti-emetic. Intebact is our probiotic. It's an imported probiotic, which has got higher

strength. UdoFix is a new molecule, which is UDCA, AciFix and we have launched AciFixRaft, which is again, a very technologically challenged product.

Then we have got a range of multivitamins and nutrition products, Rhythmix, Kompact, LycoMore and as our own API is there, so we have Ticapen, Apixamore, Empamore, these are also the new additions in the Rx portfolio. So the whole idea friends, here is that we are the largest producer of some APIs, and we have got 40-odd products, which are there and some pipeline.

So it is very important that we take these products to the market, and we do the forward integration. So instead of selling it to only B2B, where our value addition is only 30% to 40%. But if we make a tablet and capsule and go to market, then we get a better value-addition, maybe 60% to 70% value-addition. So that's the whole target of going to that.

Then coming to the specific consumer division, where we all know and we'd love to hear more story about Burnol, which is our -- the original burn cream, around 75-year-old brand. Lemolate is a brand which is for the cough and cold, then we have a pain management product, Pain-X, where we have tablet, capsule, ointment, so these are for the pain management. Then there's a slow release and muscle relaxant. Then in sexual wellness, we have a product called EXYGRA. Then acidity, we have Acidity X, other than AciFix, which is Rx and OTC also, we have Acidity X.

Then, Active smile, which is toothpaste for the mouth ulcers and the Active smile liquid also. Then ORS is a big product during the summertime. So ORS powder, ORS liquid also and a product like Dolo, we have got Fever-X, which is paracetamol 650. So these are some of the popular products, but Dr. Morepen is now ready for a Level 2. So we want to up the game in the Dr. Morepen now and focus on more of the consumer contact.

And we have launched a weight loss product called LightLife, which is now only online. It has yet to go to the trade, and we are expecting product to stabilize soon. It is on a month-to-month basis, it is growing 30% to 40%, but still the numbers are small. So I'll come with you once we have numbers ready with this. Then we have Omega 3, Shilajit, then of course, there's the EXYGRA Spray, Cod Liver Oil, Biotin, Marine Collagen, multivitamins.

A lot of products are available online. So online division doesn't require much of, I would say, infrastructure. We just need a product and it just need a website and we start selling. So it's an easy entry and Dr. Morepen as a brand has got good respect. So on the numbers, it is growing 30% to 40% year-on-year, but still the numbers are small. So we are working on a strategy, okay, how can we optimize our marketing spend in this category and make it big.

Now other than online thing, we have done a great study that India is the country as a whole, we are lacking in protein level. The India protein level on an average is very down because many people are vegetarian and the non-veg consumption is also not proportionate to our meal. Sometimes it is high, it is low. So protein is a big market, which is going to blow up in the next few years.

So we have a good range of 7, 8 products for the protein, Whey Protein, Turbo Whey Protein, Pre Workout, Reptor, Isotonic and BCAA. So these are the products which are a special division called Nutrition division. So it goes to the sports nutrition stores, it goes to the gyms. So basically, this is a new category which we are seeing coming up, and we hope that someday protein would become a big market and even the weight loss market and protein market is all related.

And of course, as a lifestyle company, we are doing diabetic products. We are doing cardiac products. We are doing glucometers; we are doing BP monitors. So as you would slowly see that it's all syncing up, everything is coming together. So whether it is proteins or it is glucometers or it is diabetics or it is weight management, all products are in the lifestyle category. So we hope and expect everybody to be healthy and wealthy. So this is how the product portfolio has been designed.

So that's all friends on the pharma piece. I know it was a bit longer, but since it's annual, so you have to be patient-- thank you for your patience. So now coming to the medical devices, which is the most interesting piece and more exciting piece of all because it had shown good growth, and we have got a good market leadership.

And just to recap, we are number 1 in the market leader in terms of glucometers. We have got 14 million installations in the market, so around INR1.4 crores. And all these are our repeat customers. They buy our strips every month, every week. And for every meter sold, we have some, I would say, 150 strips to 180 strips per annum per year, which we sell for all the meters.

And then we are number 1 in the BP monitors, which is again our second product. And since last 25 years, we are serving our customers. We have a good relationship with the retail, good relationship with the customers. And we give a lifetime warranty for free replacement of glucometers so that we do not lose our customers. And friends, the interesting point is these all things are manufactured in-house since last 10 years. So 2015, 2016, we are manufacturing in-house, and we have a fully backward integration supply chain end-to-end manufacturing.

We start from simple plain, bare chips and have our own SMT mounting machines. We have our own injection moldings. We have our own screen printing. We have, I would say, everything in-house. And we are the only company in the country who have been able to make a good portfolio and brand of almost INR500 crores in this portfolio. And of course, the facilities are a global standard. These have been certified by ISO 13485, and which is done by a British agency. So these are all, I would say, good factors and market leader position.

And just to give you some other products other than BP monitor gluco monitors, we have nebulizer, which was an old product. So we have re-launched it now. And then there are thermometers, ortho supports, which was launched this year, back support, knee support, neck support. And again, lifestyle sports person, gym person, everybody.

And of course, the same patient who is cardiac and diabetic, he's an aging population, so they need ortho supports. And for the medical professionals, we have a stethoscope. It's more for the

college students and lower-end thing because, again, we do not want to get into the professional range.

And then, of course, Ms. Kareena Kapoor has been promoting our pregnancy kits. So this is, I would say, a good product range where we have -- we touch each and every part of the consumer life, most related with the lifestyle. So annual revenue of the medical devices has grown by 12% from INR443 crores to INR496 crores. Quarterly revenue, of course, is up 15% from INR89 crores to INR103 crores.

Last quarter is a bit slow in case of this because there's a lot of dependence in the trade. So during March quarter, people do not have large buying. February, March, it slows down, but April onwards, second and third quarter are supposed -- first and second quarter is supposed to be good for this business.

So I'll quickly go to the number of meters sold and strips sold. I told you that from 11.7 million meters, so we have now 14.2 million meters installed. So it's a 21% increase in our base. And during the year, we have sold 41 crores strips, 414 million strips. So 41 crores individual test strips have been sold. There is a pack of 25, there's a pack of 50. But if we average together, the number of tests sold is important. So the revenue, which is coming to us is INR387 crores by sale of meters and strips taken together.

Then friends, coming specifically to the BP monitors. BP monitor also, there's a 12% increase in the number of meters sold around 1.17 million meters, around 11 lakh meters. And in the revenue also, there's a 14% increase. There's a good little bit of increase in the sales price and good increase in the profitability also. So since it has become INR80 - 90 crore product, so it has become viable now at this scale.

So we shared last time immediately after the QIP that we are increasing capacities of BP monitors and gluco monitors. So our present capacity in the glucometer is 25 lakh meters. It is going to 36 lakh meters now. And test strips, we have 42 crore strips capacity now, which is 36 earlier. Now it is going up to 60 crore strips per annum, which is almost 50% increase. BP monitors is almost doubling from 9 lakh BP monitors to 18 lakh BP monitors. So there's a capacity expansion, which is on the way, is already happening.

So here, friends, this business is very exciting and very important to share that this is a business where it's still in the early days, I would say. The business is ever increasing. And the only reason is that there's an increasing awareness about the health. Everybody is concerned about the health.

And why everybody is increasing awareness, thanks to Internet, thanks to mobile phone, thanks to data, everybody is conscious of their appearance, everybody is conscious about the social media, so many reels, so many YouTube channels. And of course, there's a full-fledged WhatsApp University, which is working to tell you what is right, what is wrong. So awareness has increased. Everybody is concerned about their blood pressure. Everybody is concerned about their sugar levels.

I remember when our parents were doing all this or when we have also grown, we were never checking our regular BP and sugar. I remember first time we went to hospital for my mom for angiography, and she was admitted whole day and angiography didn't happen. And they check that her sugar level was 450, so which was going unchecked.

So there was no regular checkup. So of course, we had to give insulin shots to bring it to normal. And finally, she was this diabetic medicine, and we never had a chance to go for angiography. So the whole point is testing was not there. Now there's an increasing awareness.

Second thing is a growing health concerns. Earlier, health concerns are very moderate. We were living a simple lifestyle. And of course, everybody had a bit of walk and a bit of exercise while going to job. And of course, there are not unhealthy eating habits. Now we have unhealthy eating habits, irregular sleep timing, a lot of TV time. So health concerns also have increased, thanks to our, I would frankly say bad lifestyle. So health concerns have increased. So more health concerns, we are more concerned about our body vitals.

And all concerns on one side, awareness on one side. Second trend is that higher disposable income. Indian on an average household income is increasing. And I remember when we started the factory, so our workers have paid this INR500, INR600 a month. Now it has gone up to INR50,000, INR60,000 a month in a city and in a village where there were no cars or even not even bikes.

Now there's no parking place even for the cars. So the disposable income is increasing. So thanks to that, and I'm not saying about village and cities, everywhere, so people are paying crores of rupees to buy houses and big cars and everything. So affordability has increased. So that's one growth driver for the medical devices.

And second thing, friends, from a technical point of view, there's a lot of improvement and advancement in the treatments. Treatments have come, technologies have come. So that's again giving a jump to the medical devices. Globally, it's a huge market, \$230 billion, growing at a CAGR of 12.7%. India is a diabetic capital of the world. I don't have to repeat.

So it's around 212 million potential diabetic patients, out of which it is expected around 62% of the patients are not addressed or attended or I would say they do not even know. They have not been diagnosed. I won't call them patients because we do not know them.

So even if you take 40% of the live market, which is 100 million, so out of 100 million, I will share with you only, we have 14 million installation. So we still have miles to go, and it will take us 4, 5 years to reach to 100 million servicing. And by the time, more awareness, more diagnosis will come, and we'll have a better reach.

So we launched our digital assets. We had launched an app called Sync, wherein you can track your BP monitor, BP, sugar reading from the machine directly. You can just click a photo, or you can type it or you can speak it. So it's a very simple app, and we are seeing the response is very good.

Within first 1 month only, we had 100,000 downloads. Now we have 1.31 lakh downloads, all customers are connected through the app. And of course, there's a digital history, there's a digital record, which is being built. And people are very happy that they have all the record of the readings at the tip their hand and just with the click of button, they know what's happening with their health.

And the same machine, you can track your partners, your spouse, your kids. They don't need multiple apps. So there are, I would say, many options which we can adopt more-and-more. This is one of the small digital move. And going forward, data is going to be important and digital things are important. So it's an asset which we have just started.

We shared in the last presentation that we have been moving to different countries. We have launched a product in Thailand, Qatar, Oman, and this year, we would like to launch in 2, 3 more countries. U.S. market, we have already started negotiations. We'll be launching at amazon.com, which is the Amazon U.S. website. So the product should be available in the next quarter.

And lastly, but not the least, financial review, which we already shared that this year was not a very big on the revenue part, but 7% increase in the gross revenue and EBITDA has increased by 11% against 7% increase in revenue, 11.5% increase in EBITDA. EBITDA percentage from 10.1% to 10.5%, almost 0.4%, which is like, I would say, 40 bps has increased. So there is an improvement in the EBITDA percentage year as a whole and PAT percentage has increased 22%.

So if we track these 3 figures, 7% increase in revenue, 11.5% increase in the EBITDA and 22% increase in the PAT. So the flow-through or through put is increasing. So the more revenue we are generating, the more EBITDA we are generating, the more PAT we are generating. This is at an annual level.

But unfortunately, the last quarter was not so good. The gross revenue increased 10%. The EBITDA had gone down. As I shared with you earlier that during the last quarter, some of the export orders for some U.S. market and other European markets were deferred.

And one product where we had huge orders last year in the same quarter. So those orders are, of course, not repeated because this is a bulk buying last year. So because of the lower exports, our EBITDA has gone down in the last quarter. And EBITDA has gone down, I don't have to tell that PAT would also go up. But these are temporary fluctuations. These are temporary business fluctuations happening.

But long term, as I shared with you, we are going more-and-more toward customer-focused businesses, which is devices, which is OTC, and which is formulation. And in API, our focus more-and-more is going towards building international asset, international territories wherein we have more of, I would say, fixed customer base and reducing our focus on the domestic APIs wherein the -- always the only parameter to sell is the price. Since we have international approved facilities, we can't compete with a regular, I would say, a garage company. So we try to stay away from that.

That's all from my side, friends. I know I've taken more than usual time. We have left in only 10 minutes for question-and-answers. So Tushar, over to you.

**Moderator:** The first question is from the line of Vivek Patel from Ficom Family Office.

**Vivek Patel:** I just had a quick question on bempedoic acid. I know we recently launched it. How is the molecule performing? What are the revenues like? And the overall competitive landscape of that molecule, if you could expand?

**Sushil Suri:** Bempedoic acid is a new product. So it is still, I would say, just launched and some initial trial qualities have gone. So we have not closed any commercial deals with that. So maybe in the coming 2 to 3 quarters, we'll be able to give you some good numbers. But this product was not approved in the U.S. market for a long time. And Indian market, of course, is still very far away. But this is a very promising product. I do not have the overall details, the details about it since this is a relatively new launch.

**Moderator:** We will take the next question from the line of Saurabh from Insight Trend.

**Saurab:** Sir, can you throw color on the margin? Your margin has not been constantly improving. Can you throw me the color on this?

**Sushil Suri:** Margins, particularly, I would say, on the different areas, different categories, they have been varying according to the time and situation because of the -- of course, earlier time, the pre-COVID level was almost stable. COVID level we were very high in FY '23, everything fell because of the drop in prices. And then last year, there was an increase in prices of raw material from China.

I would say, particularly on the API front, there have been fluctuations. And on the devices, we have been growing -- increasing and increasing because we are doing all backward integration. And on the finished dosage and OTC, so in the finished dosage, we had some investment phase for 3, 4 years where we are installing new teams and hiring new -- opening new territories. So now last year, bad phase is over, and we are positive on both finished dosage and over-the-counter drugs.

So there's no worry on the overall margin story, except that the global fluctuations and more particularly, I would say, the China factor is a concern. Otherwise, from a selling point of view, even in India market, as I was telling that we are preferring more export because the India market is not very profitable because it is solely dependent on China import prices. As China import prices increased, and we do not get a relevant proportionate increase in the prices in India. So we try to avoid that market. Otherwise, we are pretty comfortable on the margin front.

**Saurab:** Okay. And my last question is on that. Now Donald Trump was -- the U.S. President is also making the tariff on the pharma company. So what's your take on the company and how you will be affected, or can you throw me bit color?

**Sushil Suri:** As I shared earlier that we do not have much exposure in the U.S. market in the finished dosage. So whatever Mr. Trump is trying to do, he's trying to more for the prescription drugs, which mostly are under patent. So once the prescription drug is under patent has expires, then it comes to generics. So thankfully, we are on the other side of the river. So we are the generic player. We give them products at almost 10% of the innovator's price. So there is no way that we would be effective.

Rather, you might have seen, and I shared in my commentary earlier, that Mr. Trump has perhaps, I'm just using a word perhaps Mr. Trump has perhaps learned that it's not India, which is charging high, and it's not because of India, your prices are high. It's because of these multinationals and patented drugs, they charge millions and billions of dollars for R&D and other things. And they are the ones who have to be, I would say, punished, not India and I would say, any other country who is giving generic supplies.

So Mr. Trump had been perhaps very vocal about it, and we had already levied 59% cut in the prices of the patented drug, prescription drugs. So we are on the generic side, we do not have anything to loose. And as a company, we are not much affected because our U.S. exposure is only 6% to 7%.

**Moderator:** We take the next question from the line of Raaj, Arjav Partners.

**Raaj:** Sir, overall at a company level for FY '26 and FY '27, how much growth are we anticipating?

**Sushil Suri:** We usually do not give any guidance, but we are working between 10% to 15%.

**Raaj:** 10% to 15% over at the company level?

**Sushil Suri:** At a company level. I want to call it a guidance because as per the SEBI norm, we are not supposed to share. But in general, we are saying.

**Raaj:** Yes. And overall, are we expecting an improvement in the EBITDA? Or are we expecting an EBITDA to stabilize at this level?

**Sushil Suri:** Yes, Raaj, basically, EBITDA is a function of the product mix. Our API business is very strong and stable, and we continue focusing on the export, our EBITDA level in the export would increase. And of course, it has to increase with the overall capacity increase also. Our capacity increase is coming.

So API will be seeing increase in the EBITDA level. Finished dosage, as we shared earlier, is always at a higher margin that always has almost 70% gross margin as against 30% to 40% gross margin in case of API. So finished dosage is a higher gross margin business. So EBITDA would increase there also.

Initially, it may have some investment phase. So it may for 1 or 2 years, we may have to invest in the teams. But long term going, long term, EBITDA would increase. And third, of course, is medical devices, which has been consistently increasing because of the large volume, because

of the backward integration. So where we are already at higher teens. We are already between 15% to 17% in medical devices. So the whole purpose and object is to increase EBITDA. That's how we are working.

**Moderator:** We'll take the next question from the line of Avnish Burman from Vaikarya.

**Avnish Burman:** Sushil, can you please explain the reason for a sharp sequential as well as Y-o-Y decline in gross margins? That is one. And also, I saw that the other expenses has also materially fallen down. I think it's because of selling -- the selling and distribution expenses. So can you please explain that?

**Sushil Suri:** Of course, my CFO, Ajay is on the call, but he will share with you the expenses part. But on the gross margin, Avnish, year as a whole, so we are just only 1% or 2% here and there. But on the expenses front, Ajay can explain. But on the EBITDA front, so we have improved. On the PAT front, we have improved.

So Ajay, can you add some light on the gross margin and on the expenses side?

**Ajay Sharma:** Yes. Gross margin, we have already mentioned that there is a bit of price falling. It has affected our EBITDA margin in the API business. As far as expenses are concerned, definitely, we are keeping our expenses under control, keeping in view of our lower sales realization.

And secondly, other expenses has also come down. We explained our note as well because there was -- early rent was charged to expense. Now as per AS 116, so we had amortized it. So that part from other expenses that has gone to the depreciation. So net-net, there is an impact of INR116 lakh PAT. But overall, it is only headline changes there. But on the PAT level, so a difference of only INR1.16 crores. So that is how all about expenses, selling expenses as well as other expenses. This primarily contains rent.

Otherwise, we are keeping a tight leash on administrative expenses and other things, keeping in view the whatever margin we are able to realize from the trade primarily the API as well as we are increasing our revenue with the Rx and OTC business. So as the revenue increases, so there is a proportion decrease in expenses. So that's overall we can say that the expenses are coming down. And moving further, as you were asking about EBITDA as well. So expenses will come down and EBITDA may increase in the coming times as well.

**Avnish Burman:** I understand. So basically, that also explains a sharp increase in depreciation on a sequential basis.

**Ajay Sharma:** Yes.

**Avnish Burman:** Some of the expenses, which were selling have been taken out from the other expenses and...

**Ajay Sharma:** Yes. It's part of the amortization now.

**Sushil Suri:** There is a new accounting standard, which says that lease rentals, any lease, whether office lease, house lease, whatever, any lease rental you have, that should be treated not this way, it should be treated this way. We never found any logic to it for 2 years, but our internal...

**Ajay Sharma:** But net-net, there is hardly any impact of only INR1.16 crores.

**Avnish Burman:** No, no. I understand. On the PAT, there will not be any impact. But if you look at -- if you just compare the sequential numbers on a like-to-like basis, which means if you like kind of subtract the depreciation from that amount and add back, it looks that the compression in EBITDA is sharper than what has been reported, maybe because of the price pressures in the API business.

**Ajay Sharma:** Right. We already mentioned that because we are doing more of production in API and price is falling down. So Chairman has already explained. So this is the typical of the API business. But we understand that it should stabilize because there is some certain level, this price can come down. So we should see that this fiscal '26 EBITDA margin and the gross margin should improve.

**Avnish Burman:** So Sushil ji, you mentioned in the slide, and it was a great slide to explain how the API prices have been coming, your realizations have been coming down over the last 2 years. What are the signs we should look for to basically assess, when this will bottom out because it can't just keep happening like that, right? So at some point in time, it will bottom out and will support your margins or maybe help you improve them. But what are the green shoots that we should look out in terms of finding out when that might happen?

**Sushil Suri:** Avnish, I would say that finding out when is the same question what we have in the market every day has the bottom come, but I would say not like this here. I think we are all sitting in a commercial world. There's a certain level below which I cannot go because I don't cover my expenses. And there is a certain level of, I would say, comfort which our vendor has got, we stop buying from the vendor, so his factory will stop. So ultimately, the equilibrium comes. If I stop buying raw material because I can't sell, so we are 70% of this revenue. So they also come back to us, okay, what price why are you ready to buy.

But if they say, okay, we don't want to reduce the price, our prices are, this is what we are. So I would say this is all a practical situation. If prices go so low, then we stop production, we stop quoting that product. Ultimately, it's a demand and supply. Ultimately, when demand come, prices go up.

But I think last 2 years were very interesting to note that China had collected lot of huge inventories during FY '22, '23. So they were sitting on the inventory. They had to sell up those inventories at any cost. They had almost put up a flat sales that when we were visiting their offices and warehouses, they were just showing the warehouses, okay, pick up anything you tell, you give the price.

We are ready to give. But now they have liquidated everything. Now they are coming back with a normal costing. And that's what I was telling that in the last 2 years, the prices have come down 24%. Now our raw material prices have gone up.

So obviously, sale prices have not come down. But our Indian customers are still not accepting the price fall. That's where we are in wait and watch. And even if we have to compromise for 1 or 2 months or even 1 or 2 quarters in the revenue numbers, we will do, but we will not go down a certain level. So I would say in that way, if we say we are almost at the bottom now. We are at the bottom, I would say.

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

**Sushil Suri:** Now I would say good afternoon, everybody, again. So since we have given a detailed commentary this year, I hope there are no more questions left. In the case there are any good questions, you please apply on the e-mail. And looking at the overall environment, I would say stay safe, stay away from gossips and stay away from rumours.

So we are confident of our political situation. We are confident about our army, whatever good, bad, ugly happens in the news and borders it fine, but we are very safe in the hands of our great army and great team of leadership. Thank you very much, guys. Stay safe.

**Tushar Manudhane:** Okay, and good day.

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