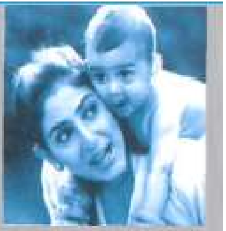

**Date: 18/11/2021**

To,

National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai- 400 051
Symbol: MOREPENLAB

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400 001
Scrip Code: 500288

**Subject: Transcript of 'Analyst/ Investor Conference Call' – Q2 FY22**

Dear Sir/Ma'am,

Please find attached transcript of 'Analyst/ Investor Conference Call' organised on Thursday, 11th November, 2021 at 04:00 P.M. (IST), subsequent to the declaration of unaudited standalone and consolidated financial results for the quarter and half year ended 30th September, 2021.

This is for your information and records.

Thanking you,

Yours faithfully,

**For Morepen Laboratories Limited**

Srivastava

**Vipul Kumar Srivastava**
**Company Secretary**

MOREPEN LABORATORIES LIMITED
Gurugram (Haryana)

***Encl.: as stated above.***

**Morepen Laboratories Limited**
CIN No: L24231 HP1984PLC006028
**Corp. Off.:** 2nd Floor, Tower C, DLF Cyber Park, Udyog Vihar-III, Sector 20, Gurugram, Haryana-12016, INDIA
Tel.: +91 124 4892000, E-mail: corporate@morepen.com, Website: www.morepen.com

**Regd. Off.:** Morepen Village, Malkumajra, Nalagarh Road, Baddi, Distt. Solan (H.P.) -173205, INDIA
Tel.: +91-1795-266401-03, 244590, Fax: +91-1795-244591, E-mail: plants@morepen.com

"Morepen Laboratories Limited's Q2 FY'22 Earnings Conference Call"

**November 11, 2021**

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

**Moderator:** Ladies and gentlemen, good day welcome to the Q2 FY'22' Earnings Conference Call of Morepen Laboratories Limited. Joining us on this call today are Mr. Sushil Suri – Chairman and Managing Director; Mr. Ajay Sharma – Chief Financial Officer; Mr. Vipul Kumar Srivastava – Company Secretary. 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 please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sushil Suri, Chairman and Managing Director of the Company. Thank you and over to you, sir.

**Sushil Suri:** Good afternoon, everybody. I hope everybody is comfortable, safe and little good news all around us is that perhaps COVID is little generous, hope everybody is still working from home and working in a safe zone using mask and social distancing.

From a business perspective also, as I think practically from July to September was almost a regular quarter, it was only the post impact of COVID which was affecting the various businesses. Thankfully, in our business there was not much impact of COVID except for a few states in the country. There are few flight restrictions and cargo restrictions still there and not necessarily because of COVID. China has another set of problems. But global cargos and shipments have started, but it was business as usual to begin with. So, I'm happy to share that in the current quarter the revenue has grown 17%, so it is a regular genuine increase of business, there is no COVID, no extras and we have clocked almost Rs.400 crores, Rs.398 crores. Last year, the company's total sale was Rs. 1,200 crores, so now we are inching almost towards Rs. 1,500 to 1,600 crores, last year for the first six months we had Rs.599 crores now for the first half of H1-22, it is Rs.388 crores. So if you just double it up simply so we will be above Rs.1,500 crores looks like. So with the regular growth of revenue and certainly the expenses have to be much nice, so EBITDA is also growing substantially, so there is a 26% increase in the absolute number of EBITDA, EBITDA margins have also gone up which we will take up later. So 17% increase in our top line, 26% increase in EBITDA and of course it is resulting in a bumper crop in the profits because there is not much interest and profit before tax is 70% up from Rs.27 crores in the corresponding quarter in the last year, it is Rs.46.86 crores now in the current quarter, this is the highest ever we have grown, 70% increase in the profit. Of course, we are responsible citizens of the country we have to keep provision for the tax. So after taxes the profits have gone up by 38% and similarly the EPS also goes up by 30%, the quarterly EPS comes to around Rs.0.83 and if we extrapolate to annual it will be something like Rs.3.20, Rs.3.30 kind of thing so which is a very healthy sign. And you would notice that with the last two years or rather I would say five to six quarters so all the numbers have quadrupled or tripled or maybe at least many times profit is almost five-fold. So there's a consistency in the results, there's a consistency in the demand, there's the consistency in the team spirit and work. Of course we are all impacted and hurt by the COVID and some of us have lost close friends, close family members, so we stand with them. The company still keeps on making efforts to follow all the protocols with the COVID.

Getting into little more details, so on the revenue side we have grown from Rs.340 crores to Rs.398 crores and that's 17% growth and I would like to share that till last year we have been growing at CAGR of 25% year-after-year and it includes the COVID year also, almost five quarters of COVID and current year also we have grown at 31% for the first half. So, we are maintaining the growth and you would recollect in the last few earning calls there was a question and we ourselves was worried whether this growth would be sustainable. I'm happy to share that the growth level which we had achieved earlier, it is being sustained even in the first half we have grown at 31% while our CAGR is 25%. So similarly on the profit side also these all stable now.

Coming to the business segment, as all of you that we have four main business segments: one is the API business; and second is the Medical Devices business third is Finished Dosages and fourth of course is OTC. OTC business already is a subsidiary called Dr. Morepen Limited. Now, the Medical Device business as approved by the shareholders in annual general meeting on 28th September, 2021, so Medical Device business is also moving into a separate subsidiary. A new company has been incorporated by the name of Morepen Devices Limited (MDL). As we stand today, the finished dosage business which is the doctor business and the API business, they still remain the parent company and Medical Device and OTC business are now in a separate subsidiary. So we are working on all the procedures and formalities to be completed for getting approvals in the name of a new company, the business transfer agreement is being signed today after the board meeting and the Medical Device business may be after March 2022 you'll see it as a separate results but till the time all approvals are in place, the Medical Device business will continue to stay in the parent company but it will be for and on behalf of the Medical Device company. So all the profit will be transferred to the Medical Device company.

So going further on the segment-wise business, we have already shared the presentation I hope you guys have gone through it, so the API business has grown by 9% and this is against a very good growth which we had taken last year, on a higher base there is a 9% growth last year it was around 45% growth same quarter. Diagnostic business is unstoppable. Almost no sales in the COVID account. There is a 36% growth in the Medical Devices and Diagnostics business primarily on account of BP Monitors and Glucose Monitors, no COVID products.

In Finished Dosage business, I'm happy to share that it has come back. Last year this business was badly hit because of the COVID and we were not able to approach the doctors, some hospitals were not attending to the medical labs and of course customers were not coming, OPD was closed, so we had suffered. Now we are back. There's a 28% growth but this 28% growth is on a lower number of last year. So we are yet to get to the actual growth.

Dr. Morepen OTC business which is which was growing last year also; last year we had few COVID products also but including that COVID products whatever growth we had, now we have grown above that 22% this quarter also. So all businesses have grown very smoothly.

On the API front, we will go segment by then. So 9% API, 36% diagnostic devices, 28% finished dosage and Dr. Morepen 22%, 17% growth rate we have acknowledged in the top line in all the segments.

Of course as we are growing, we are adding more and more businesses and API share and sometimes during peak it was 60%, 70%, maybe at some time on an average 60%. So now other businesses are growing up, so Diagnostics here have gone up from 29% to 33% Finished Dosage business has gained its 0.9%, so the API business is now 54%, Devices is 33% and Finished Dosages is 12.2%. So this is a fair mix and as other divisions will keep on growing in the overall at a company level we will see that other divisions will keep on growing and API business will shrink overall but when API goes for its expansion plan maybe it gains back its 60% to 70% share.

Coming specifically to the API business, till last year we were growing at CAGR of 26%, last year of course was extraordinary, we had around 45% growth in the API business. So this year in the first six months we have grown 13% as compared to the last year and there's a 9% increase in the revenue and we have crossed Rs.200 in one quarter in the API business, that is Rs.201 crores, a growth of 9%.

We have very important and very regular products of API because of our consistency, because of our quality. So Atorvastatin which is a cholesterol-reducers product has grown up by 46%, Montelukast which is a pharma product has grown very gracefully in the domestic market, and in the international market also, 28% growth in the Montelukast and many new molecules of diabetics and anti-allergy Fexofenadine they have grown almost doubled; 99% growth. So we have marginal hit in our anti-allergy product, Ranitidine because globally people are using masks and allergies are reducing, maybe at certain stage people are taking immunity drugs also though there is a little hit in the Ranitidine product but overall we have grown by 9%.

Coming specifically to the Point-of-Care Medical Devices business. As I shared, this is unstoppable, it is rocking as usual for the last five, six quarters. Last year it had grown by 71%. Now in the first half it has already grown by 88%, in the current quarter it has grown by 36% from a Rs. 90 crores quarter to Rs. 122 crores for the quarter. And as we shared last time also basically now more and more people are depending on or rather treating home diagnostic is a reliable method of testing their glucose level and blood pressure level at home. Doctors are recommending that and maybe somebody in the family is recommending that but more and more there's a better reach, there is a better demand and people are spending more on the medical devices. Per household if some people are spending only few hundred rupees, now it has gone to Rs. 5,000- Rs. 6,000 in the Medical Devices. And this sales is like I would say not COVID affected. Now post-COVID also we have grown 88%. Of course, there is going to be some stop somewhere but 41% CAGR in this business is phenomenal, it's an incredible work done by the team during COVID also and post-COVID also, so 36% growth in this business.

Here, there are two main growth drivers; Glucometers which has grown by 45% and BP Monitors for our chain have also grown 44%. In the earlier quarters, BP monitor was always lagging and glucometers was always growing, but now we are seeing that glucometers certainly are increasing in glucometers but BP monitor has also shown, glucometers have grown by 45% and in the first half of the year the growth is unbelievable; 103% growth in the first half of the year in terms of glucometers and the strips which we have sold. There's a 41% CAGR till last year including the current year, the CAGR would be much-much more than what we were seeing earlier. But 45% growth in the quarter of a large base. Last year also we had registered a good growth, this quarter there is a good growth.

I'm happy to share with you that during the quarter we have installed almost 50 lakh, 49 lakhs to be precise, 49 lakh meters we have installed new, there's a 20% growth in the number of installations and for the first half of the year there is a 76% growth in terms of meters installed. We have installed 1.1 lakh meters as against the first half of the last year to 76% growth. So meter installation is one issue. For every meter installed we sell strips and from whatever meters have been installed in the previous years, so we are building a base, it's like a printer cartridge model, it's a closed system. The customer buys our meter so they buy the strips also for rest of the life. So we give a life-time free warranty. So it's almost a customer required for a lifetime. So we have installed 50 lakh meters means multiplied with testing strips for the lifetime. So during this quarter we have sold 90 million strips which is a huge quantity. 9 crores strips we have sold and there's a 50% increase in the number of strips sold. So if you look at the total number of strips sold we are touching almost 785 million, so it's like half of the India we have checked the sugar level of course but it's not individually, but its multiple number of strips which we sell to the same people.

BP Monitors as I told you last year because of the COVID we were seeing there's a big spike but the spike is continuing. So it grew at 43% CAGR. In the first half it has grown by 81%, in the second quarter it has grown by 44%. BP monitor is also increasing.

Other two products, this Non-Contact Thermometers, Oximeters and Concentrators, they have not grown much in this quarter. So there's nothing much to talk about it. Of course, we have collected some stock about Oximeters and Oxygen Concentrators, god forbid, if COVID comes again we are prepared to fight the COVID. We have stocks lying with us but if there are no sales of COVID products so that's not counted here.

So now since we are focusing more on BP and Glucometers, we are increasing the reach of the product and we are reaching to the masses, so we have retained two Bollywood celebrities; Mr. Boman Irani who is the senior actor, so he is endorsing our products for both BP and glucose and for some short time Mr. Javed Akhtar was also recommending the products of the company. So these are the two I would say big initiatives taken by the company for the mass reaches. And there will be certain advertisements, online, offline social media depending upon which city, which country you live, you will be able to see but otherwise on the YouTube you can always find this big Dr. Morepen's products by Boman Irani ads. Then we have retained Ms. Kareena Kapoor for our new product range of pregnancy. So we had earlier pregnancy kits but those were earlier imported but now we are increasing our own capacity and maybe in the current quarter or early next year. So you will see on the shelf products of Dr. Morepen on the pregnancy part also. Of course we have already set up the plant.

Third important thing as I shared with you was the finished dosage. There's a good recovery; there's a 29% increase in the business. Of course last year we had lost 5% but now we are back with 29% growth. So hopefully by end of the year we will be able to recover much better than the previous year on the lost grounds.

In finished dosage, there is a 61% growth coming from antibiotics. Then the generic division which is an affordable medicine, that has also grown by 41%. People have become price conscious and some online sales also. Gastro is the one product which is gained by 5%. Other miscellaneous products have also grown by 169%. These are very good growth drivers.

Now coming to our favorite Dr. Morepen brand as an OTC leader in the market, Dr. Morepen brand has grown by 22% against the last year's increased number which included some COVID products also. Covering COVID products we have grown above that to 22%, So there is no decline due to COVID products. And year as a whole we have grown by 16% but Dr. Morepen since it's a separate company we have a separate CAGR for it; it has grown by 20% in the last four years and this year also looks like we'll be able to match because in the second quarter we have grown 22%. Here, we have three categories which are growing. So OTC product which is typical trade products which is for your cough, cold, fever, all these products, these have grown by 27% and there's a very interesting growth in the grooming product with a personal grooming product with 51%. And third thing which is showing marvelous results is the online product range. If you just happen to look at www.drmorepen.com, so you would see more than 50 products of Dr. Morepen which are available online in the various categories which include Multi-Vitamin, Sleep Pill, Sexual Wellness, Muscle Food, Biopains including I would say Beetroot. So there are very-very interesting lifestyle products and these online products have grown by 243%. Of course, last year the numbers were small. So I'm not saying the percentage is high but that shows that Dr. Morepen as a brand has been very well accepted in the market and people are willing to try our products. So all three products are going up.

On the online sales, our effort is that as against the trade which is certainly happening, so trade is also increasing but we are like focusing more and more and investing more and more money behind the online sales. In the OTC category 12% of the business has shifted to online. Once shifted rather a new range has been launched in the online market. So Dr. Morepen, it took 20 years to create a brand where we are now but online guys have gained 12% in the six months' time.

And our personal grooming business under the brand GUBB, 25% of sale is from the online. So this is a good starting point for the company. And of course there have been a lot of online launches during the quarter and previous quarters. So every time we get a fresh list, there are Multivitamin, PCOS Powder, Collagen, Muscle Food, Sexual Wellness, Iron, Zinc, Probiotics, Vitamins, COQ10 Krill Oil, Omega 3 doing very well, sleep tablets are doing very well, there's a Slim Shake, then Beetroot products, Green Tea, Apple Cider Vinegar. So there is a very-very interesting lifestyle products which people are appreciating it online.

Just to give you an idea that Dr. Morepen is a brand which includes devices which includes OTC and certain generics which are also labeled as Dr. Morepen. So the brand as a whole has grown 31%, for the quarter the brand value is around Rs.192 crores but for the half year it is around Rs.388 crores, so there's a very good traction, there's a 47% increase in the sale of these Dr. Morepen brands.

We have started collating the data of the R&D also. Usually we do not have separate accounting for R&D. We expense it out but last two, three quarters we have started collating the data. With the 43% increase in the R&D spend for the first half of the year against Rs.4.25 crores in the first half of last year, there is Rs.6.06 crores in the current period, there's a 43% increase and 53% goes to the API, 41% goes for our finished dosages of the international market for the ANDA and around 6% is in the medical devices, but medical devices business is setting up its own R&D center, so this will exponentially go up once the new investments are coming up in the devices.

That's broadly the contours of the business. Financial highlights we have already shared with the stock exchange and at the last page of slide there are numbers I can just read it for you again; Revenue up 17%, expenditure up 16%, so there's a 1% actually adding to the bottom line, EBITDA has gone up by

26% which is a very-very good growth coming at the mid-size company. Practically there is no interest factor; so from 29 lakhs to 66 lakhs including some provision because of taxes. In the interest there was a written back entry; there was some income on account of interest, there was a dividend on preference capital which was provided in the books of accounts but later on while we were settling with the bank, that dividend was waived off, so we have written it back but that's one-time. So cash profit before tax there is an increase of 53%. So, EBITDA 26%, cash profit increased 53% adding to the top line.

If we look at the net profitability ratios this is where I would like to spend some time that the company's EBITDA percentages are going up very gradually, very smoothly. This year it has gone up by 0.84%, so almost I would say 84 basis points from 10.43% last year to 11.28% this year but if you go one year back so it has grown from 8%, last year it was 8.26%, when I say last year means Q2 of '19-20. So it was 8.28%, now 11.28%, almost 3% increase in the EBITDA margin of the company, so 3% if you say we close at 1,500 crores, 3% is like 45 crores. We are seeing a very clear cut increase in EBITDA margins. And since there's no tax, everything is adding to the profitability. So profit after tax during the quarter has gone up from 8% to 11.77%, again 3.68% increase in the profit before tax. Of course, out of that 3.68% we end up paying taxes also. But even after tax profit is up by almost 1.4%. But if you look at the profitability numbers before tax say two years ago and now, it is almost three times increase in the profit number and percentage wise of course it is going 3-4%,

From a pure number point of view, in Q2 of '19 there was a profit of Rs.9.23 crores in the same quarter Q3 FY'20, now it is 44 crores, it's almost five times profit before tax. So we are seeing that with increase in top line, the EBITDA is increasing, profit margin is increasing, of course we are subjected to taxes but as and when more and more CAPEX will come, more depreciation will come, we may have some tax shelters but since the company is now coming into profit whatever the cash flows, we can save… we will always like to save but if these are invested well through a CAPEX we get some depreciation, so we may be able to save taxes but otherwise 15% to 20% is the provision for the taxes. So that's broadly about the profitability. And I shared earlier that profit before tax has gone up; 70% is the provision for tax for Rs.9.5 crores, profit after tax is 38%, up Rs.37 crores, EPS is 38% up which is 0.83. So this is a basic EBITDA but if we look at the diluted EBITDA which is after conversion of promoters warrants after 18 months, so maybe that's sometime next year. So diluted EPS may be around 0.72.

Those are broadly I would say the financial numbers, but I would like to share with you a few other highlights of the company which are like work-in-progress, we are working on a vaccine with the RDIF, Russia for Sputnik. So our facilities have been acknowledged and those are approved by the RDIF. The Government of India has already requested for inspection after filing all the documentations. So they have written to the state authorities for inspection of the plant. So after that inspection, we will get a license; it may take a week or two weeks, maybe by end of a month we should get a license.

But more important development here is Sputnik as a vaccine, I would say, not getting very good traction with authorities because they are not able to produce as much as they promised. So we do not have a visibility that how much production will come. So as Morepen, we are a fill-and-finish company. So whatever goods we will get from RDIF, we will be able to produce; we have capacity for 250 million dosages which can be increased up to 500 million dosages. But as per their understanding they want to sign a 10-year contract, but we are going a bit slow that it all depends on how much quantity they can offer. So if they want to have global supply so they have to have a production base. We here and understand and it's in public domain that they have signed up with the five, six Indian companies also for production of vaccine in India. So if any of these partners in India they are able to produce and they need facility for fill-and-finish, we will be able to use our facilities. And it is not only about Sputnik, any other vaccine which comes to India whether it is Sputnik or local or international, I am purposely not naming anyone, so anybody who comes to have a fill-and-finish facility in India and we have the facility. As per the understanding what we hear from the government officials and from the international community, COVID is here to stay, covered is going to be around us every time, we have to be careful, we have to be vaccinated. So first dose, second dose and boosted dose, then maybe next year we'll have some other dose, so the whole purpose is that we should have the facility and whatever business is generated so that will add directly to the bottom line and there's no extra expenses which we are doing. The facility what we are using is the contract manufacturing third-party. Facility. So we are using only our relationships with our parties and our own skills. So that's happening on the Sputnik side.

And of course, the development on the preference capital side, we have some pending preference capital with the bankers. We had conducted a meeting with the banks in the quarter. And the banks have shown very positive response that they are happy to convert those preference shares into equity, approx. 58% of the bankers have already given consent. So two, three more bankers are progressing as we talk. Maybe before the end of the year we should get their consent also. They have a few questions regarding conversion formula and all that thing. So whenever we get consent of all the banks these preference shares will be converted into equity, so it will be around 1% to 2% of the company's equity and there will not be any cash outflow on that account. But as we go forward it will unfold by end of the quarter or maybe before the end of the year, we should have a clarity at what price it will go, it all depends on when do we get approval. Whenever we get approval from the banks, it will be under SEBI determined formula which will be six monthly average or last two weeks average whatever is higher. So banks are comfortable with that and those things have been given.

And third development of course now since we have already taken a step forward towards medical devices and we are looking for separate financial partners for that and we have growth plans for the API also and we are evaluating how to unlock the value of API. So we are under the new scenario where the company has different growth plans for different divisions. So we have now passed our idea of having a renegotiation with Corinth. You remember we had some discussion with Corinth in the month of May, June which they are certainly having different ideas of business and we had different aspiration. So now we in a way declined the deal and we are not working with Corinth anymore or any of its subsidiary. So they still have in touch with us, so we may work in some unlisted company but in the main listed company, we are not coming with Corinth but we are certainly looking for and very good response with many group of investors individually for the devices company or for APIs or for that better OTC which are giving good returns and good growth.

Those are primarily I would say the broad areas which we are busy with every day. And I'm happy to take questions whenever you guys are ready and in case there is any other clarification of the numbers, our CFO is there, our Company Secretary is there, you can always call anytime later also. With this I would say let's open to the question-answer session.

**Moderator:** Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Subhajit Chaudhary, an investor. Please go ahead.

**Subhajit Chaudhary:** I have one question like as you have mentioned in your presentation that the four segments that you have, are you going to probably separate from each other, so are you going to list all of them and is it going to happen by next financial year?

**Sushil Suri:** I would say happy to say that okay, yes, we are on a growth path but actually listing is not the priority but the first priority is that businesses should get its due share of management attention, it should have its own management bandwidth and whatever skills are required, so we are building infrastructures but certainly there is a very known trend in the market that in case any new investor joins, if they want to exit through an IPO and that IPO is usually two years, three years, sometimes now for example, even the general companies are going for IPO, so I don't want to say that we'll be listing all the companies, but for example Dr. Morepen is unlisted for last 20 years, but it all depends on the appetite of the investors and appetite of the market and more importantly the appetite of the business. Business needs money, we are open. But in case we have sufficient cash flows we may not go for immediate listings, but yes we are unlocking the value. The company's hidden value is much more than what is reflected today in the share price of the company. So every single unit, every single division is an x-amount, I am not giving any number, but if we add these 3x, 4x, so then this is not equivalent to what we are today. So every single business has its own parameters but we are open for that.

**Moderator:** We have the next question from the line of Abhishek Bedha, an investor. Please go ahead.

**Abhishek Bedha:** I have a couple of questions. You shared that there were four, five ANDA in pipeline. So if you could share some update on that? And also, what is the update on the second facility that you wanted to set up, if you could tell us a bit more?

**Sushil Suri:** Thank you, Abhishek. So I would say that there are two questions; one of course in the ANDA. For ANDA, we have two phases of the products; one is that there are 30 products for which we have prepared the dossiers and we are collecting the bio-equivalent studies. So those dossiers were set up in our third-party facilities. Our plant is not set up for international businesses. And then there are other dossiers for which the bioequivalent is not required or maybe turn it at later stage. But as we stand today since the company's main growth plan is more towards the global market, so we are setting up our own facility, we have started hiring the team in Baddi itself and we have retained few people in our New Jersey office. So now we are working more closely for filing ANDAs from our own site. So maybe it may take I would say nine months to one year before we file our first ANDA but back end work or the bench work will continue. So the pilot scale work and everything will keep on continuing. So that is our ANDA project. And second in the API as I shared with you that we are already tied up the capacities and we have to increase the capacities. So we have got approval of our land, we have got approval of even from the pollution department. So we have hived off that piece of land and the groundwork has started. As far as the expansion in real terms is concerned, as far as also putting money behind that and everything, that is still pending because whatever we are doing, we are doing some internal cash accruals. And since the business is already rocking and growing at a 30%, 40% year-after-year, so we are certainly spending money on the working capital also. So we haven't finalized. After this Corinth as I shared with you earlier the plan was that, okay, we may have a one pool of money and we may give it to everybody in separate, separate numbers, but now we are expecting that we may have a better plan that devices raises its own capital, maybe API raises its own capital and at some stage finished dosages business may have its independent structure, maybe based in India or maybe based in US. So those are the things which are still I would say undecided. But on the growth part, in API we have a 310 KL capacity now. We are increasing to 1,000 KL in the next 24-months at the existing site only and after that we want to go to 5000 KL. For that we don't have capacity at existing site, we may have to buy additional parcel of land in API nearby. So the expansion plan is huge. But we haven't done any financial closure for that.

**Moderator:** We have the next question from the line of Junaid, an investor. Please go ahead.

**Junaid:** When the Medical Devices issue is coming?

**Sushil Suri:** In the Medical Devices business, by end of this year, certainly that division will be having independent working and independent, everything. We are already in touch with some investment bankers to bring in fresh capital into that company, but I won't be able to comment right now that when would be the public issue come or when would the IPO come, but it would be certainly decided over a period of time, but markets are hot, everybody's appreciating, everybody's waiting, but being a listed company, I'd like to keep quiet on this topic.

**Junaid:** Since we are having approval from outside like Europe and all for your Medical Devices, so have you started exporting the product?

**Sushil Suri:** No, not yet. Of course, as on today, our capacities are short even for the domestic market. So we are barely able to fulfill the demand and we're saying we're growing by 88%, 90% quarter-on-quarter. But when we are setting up a new plant, of course at existing facility only, we have parcel of 60-acres of land allocated for this business also, so at that stage we will be exporting to other countries also but it may not start with Europe, it may start with the neighboring countries like Vietnam, Cambodia, Bangladesh and of course some Middle Eastern countries, Egypt, and after we are happy with the small market, then we may go to the regulated market. But once we get a CE certification, we can export to any countries.

**Moderator:** We have the next question from the line of Narendra, an investor. Please go ahead.

**Narendra:** I have two follow-up questions. One is the notice issued by the Supreme Court for the SAT tribunal issue. What was the status on it? The second thing is what is the pipeline like API or formulations those are coming out in the next couple of years, at least roadmap kind of?

**Sushil Suri:** Replying to your first question, that is the notice issued by Supreme Court because SEBI had lost in the SAT tribunal and they have gone for an appeal. So for the timing there is no development. We hear that there is a Supreme Court date. But till date no date had been fixed and no notice has been issued, I mean, we just know there's a date but so far there's no hearing. And looking at the speed and of course because of COVID, there are very restricted working in the courts also, there is no development. But in any case we had already won the case and all SEBI had done was a penalty on the company was that company will stay out of the market for one year. That so-called punishment we have already gone through, we have already had the point of it. And now it is almost one year after that also. So if that case technically is in fructuous, but since the government bodies don't rest on it, we still have to go to the court. So we will go whatever Hon'ble Supreme Court of India passes an order. But it looks like that it's going to be bit slow only. Coming to your second question on the pipeline of drugs, I think that's my most favorite thing but on the two aspects, one is an API pipeline that is more stronger and based on the same API pipeline, we are getting Phase II pipeline also. There are some overlaps and some differences also. But API pipeline is primarily based on the number of products which are going off patent in the next five years. So as a company we are focusing on the high value lifestyle diseases only which is primarily cardiac and diabetic. So on the cardiac front there are around seven, eight Gliptins and Gliflozin which we are focusing and then certainly in the cardiac, there was a lot of focus on the anticoagulants which were popular during COVID. So these are the two main lines. And there are certain products in the neuro sector also which is psychiatric which is also long-term lifestyle products, clinical products. So once it is recommended by doctor, you have to take it for your rest of the life almost. It's very rare that you leave these diabetic into the cardiac medicine. So on the same line we will continue for the finished dosages also. But in the finished dosage market, there may be certain products based on the demand and supply in the markets wherein if somebody wants any particular product, it may not be under patent, it may be off patent. So in case there is a demand for those products also, we will pick up those products.

**Narendra:** A little more clarity on the next three, four years the new products which are going off patent, are we on track to capture those opportunities and so are there action plans prepared and ready for that in terms of meeting the patents and also completing the projects on time to gear up for the new opportunities, so are we on track with that?

**Sushil Suri:** I would say that certainly as it stand today we have done a lot of work on products which are going to expire year-by-year, for example we are sitting almost at the end of the 2021 now. So going forward there are going to be more and more products and I can share with you for example, Sitagliptin is one product which is expiring in '23, then of course we are working on Elagolix Sodium which is expiring in '21, '24 there are three, four different patents we are working on Tafamedis which is expiring in '24 and '26, then there is Sitagliptin, Sotaglifozin which is again expiring in '27, '28. So year wise calendar, we have got what product expired, one, and what are we going to do about that, we are also working on these monoclonal antibodies to an extent. So I would say these are highly technical and even if I explain to you, you may not understand it unless you're a doctor, but I will explain you the process, the process is that whenever any product is going off patent, so we start working on those products like 10 years in advance and once the products reach near expiry, we already have developed the product, we have filed the drug master file and we have already tied up for the customer. So now for the next three to four year whatever products are expiring, so we have the DMF set up, we have the technology set up and we are certainly working more and more towards cost reduction. The moment product expiry comes in, we will be able to launch those products in the API market. But API to the market is the only solution?

I would say the answer is no, API, we have to sell to others we always need our customers. So that is why as a company, we would like to file our own ANDAs also that rather instead of selling API… API contribution is only 10%, 15%, so 85% is the value addition comes from the finished dosage. If we have our own finished dosage also, so then naturally that would get that part. Most of the companies who have their own ANDA, they may not have our own API. So we have a strength that we have API also and we have finished dosage also. So sometimes customers say, oh that there's a conflict, you're doing your own formulation also, so we are doing on the API also, so we are discussing internally that how do we solve this conflict. So maybe finished dosage is done through a separate company or API is done through a separate company, that's where liability lies.

**Narendra:** One more follow-up question. So with the current run rate of cash flow, it would be manageable to continue the expansion projects or will we need any equity dilution or from any bank loans?

**Sushil Suri:** I would say that with the current internal accrual we are happy to fund our working capital. Certainly we do not want to block our funds in the CAPEX and strive them for the cash for the working capital. And we do not have any bank loans so far, we do not have any borrowing so far. So we don't want to get into that. And we would prefer that whatever growth opportunities are there, whatever new investments are there those should come through a capital route. Now whether the capital event takes place in the main company or if it takes in a subsidiary company, so those are I would say the professionals who understand these things much better. So as a company we would be happy to say okay, this is what we need to do and certainly we do not prefer any debts and loans. So we are running this 1,500 crores company without I would say a single rupee working capital, we are working 100% on cash basis and we do not want to block our cash on the fixed assets. So that is why there is a bit slow on the increase in the CAPEX because we will certainly be looking for some capital even for that.

**Moderator:** The next question is from the line of Subhajit Chaudhary, an investor. Please go ahead.

**Subhajit Chaudhary:** I was just going through your presentation particularly on the financial presentation. I have noticed that profit after tax for the financial year '21 that was 27.17 and now half yearly it looks like 37.36, but if I compare with the profit before tax with respect to 27.17 it was 27.51 whereas that PBT of that half yearly that consider 46.86 with respect to 37.36, so there is a huge difference. Is this because you have taken the provision of the taxes already prior to this half yearly itself, that's why there's a too much of differences?

**Ajay Sharma:** The profit before tax is 46.86 crores which includes a reversal of 9.77 crores of non-taxable income, it was basically a dividend provision which was made in the previous year, so it has been now reversed. So this income is not too subjective to tax because earlier no income taxes claimed on this number. So to this extent the taxable income reduces plus we have carry forward losses of more than Rs.25 crores. So overall our taxation rate comes around 20%-odd. So against 25% it is coming around to 20%. That is how the lower taxation amount.

**Subhajit Chaudhary:** But I think that's once you have the conciliation of that, then probably you will get a more reversal of the amount and you'll get a more benefit out of that I believe?

**Sushil Suri:** Yes, as we progress, then we'll be able to get more.

**Moderator:** As there are no further questions, I would like to hand the conference back to Mr. Sushil Suri for closing comments. Please go ahead, sir.

**Sushil Suri:** I would like to personally thank all the participants for their valuable contribution, their time investment and their continuous interest in the company. And more importantly is that I would like to thank everybody for being progressive, participating and supportive. And I would just say, just take care, don't be aggressive, don't be adventurous. COVID is still around us, of course in Delhi, Gurgaon, number of cases are less, but pollution is high, weather is bad. Please take care of yourself, stay inside, wear mask and be prepared, COVID is just around. Thank you very much, guys. Thanks a lot.

**Ajay Sharma:** Thank you very much.

**Moderator:** Thank you members of the management. Ladies and gentlemen, on behalf of Morepen Laboratories Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.