MOREPEN

Date: 17/11/2020

To,

National Stock Exchange of India Ltd.	**BSE Limited**
Exchange Plaza, Bandra Kurla Complex,	Phiroze Jeejeebhoy Towers,
Bandra (East), Mumbai- 400 051	Dalal Street, Mumbai- 400 001
Symbol: MOREPENLAB	**Scrip Code: 500288**

Subject: Transcript of Investors and Analyst Conference Call on results for Q2 FY 2020-2021

Dear Sir/Madam,

Please find attached transcript of Investors and Analyst Conference Call organized on Tuesday, 10th November, 2020 at 12.00 Noon (IST) subsequent to declaration of unaudited standalone and consolidated financial results for the quarter and half year ended 30th September, 2020.

Further, Mr. Sushil Suri, Chairman & Managing Director of the company, interacted with the following eminent market experts to discuss on Q2, FY 2021' results.

Ms. Hiral Dadia, Anchor and Content Editor of Nirmal Bang Securities Pvt. Ltd. (Popularly known as 'Nirmal Bang').	Click here
Mr. Ambareesh Baliga, Independent Market Expert.	Click here

Please click on aforesaid given link to view the full conversations with market experts.

Thanking you.

Yours faithfully,

For Morepen Laboratories Limited

VIPUL KUMAR SRIVASTAVA
Digitally signed by VIPUL KUMAR SRIVASTAVA
Date: 2020.11.17 18:38:03 +05'30'

Vipul Kumar Srivastava
Company Secretary

Encl. as above

Morepen Laboratories Limited
Corp. Off.: 4th Floor, Antriksh Bhawan, 22 K.G. Marg, New Delhi- 110 001, INDIA
Tel.:+91-11-23324443, 23712025, E-mail: corporate@morepen.com, Website:www.morepen.com
CIN NO. L24231 HP1984PLC006028
Plant & Regd. Off.: Morepen Village, Malkumajra, Nalagarh Road, Baddi, Distt. Solan (H.P.) -173205
Tel.: +91-1795-266401-03, 244590, Fax: +91-1795-244591, E-mail: plants@morepen.com

"Morepen Laboratories Q2 FY21 Earnings Conference Call"

November 10, 2020

MANAGEMENT: MR. SUSHIL SURI – CHAIRMAN & MANAGING DIRECTOR, MOREPEN LABORATORIES LIMITED

MODERATOR: MR. VASTUPAL SHAH – KIRIN ADVISORS

Moderator: Ladies and gentlemen, good day, and welcome to Morepen Laboratories Q2 FY21 Earnings Conference Call hosted by Kirin Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vastupal Shah from Kirin Advisors. Thank you and over to you, sir.

Vastupal Shah: Thank you. Good afternoon everyone. I would like to welcome Mr. Sushil Suri – Chairman and Managing Director of Morepen Laboratories Limited. Sushil Sir, over to you.

Sushil Suri: Good morning everybody, and welcome to the investors call for this quarter. We know that everybody is disturbed sitting home and of course, everybody wants to get out, but we all have to play safe, COVID is not going anywhere, number of cases are increasing every day, please be safe and welcome to this, so called, virtual meetings.

I must apprise on a quarterly process that the company had done very well in spite of the COVID, there were certain restrictions in production in the previous quarter, but last quarter, restriction had almost been removed. Other than the operational matters, there were not much statutory restrictions, but pharma sector in general had been very optimistic and very good.

During the quarter 2, the company's overall revenue, the net revenue has gone up by 57% and just to give you highlight from Rs. 216 crores to Rs. 340 crores in the net revenue which has gone up and which has resulted in a very good EBITDA also because 50-60% increase in the revenue is certainly adding to the bottomline. So EBITDA is almost double, 99% up from Rs. 17-18 crores to Rs. 35.49 crores, and profit before tax is up by 200% approx., it is almost 3 times, from 9 crores to Rs. 27 crores. So very good quarter for the company and I would say to an extent record-breaking and resulting into an EPS which is almost 5-6 times. Quarterly EPS is almost 60 paisa, which is giving an annual EPS of around Rs. 2.40. Profit after tax has also gone up very high from Rs. 4 crores of the same quarter of last year to Rs. 27 crores of this year. That is the broad highlight.

So now I will move to segment wise profitability:

So basically, as you all know that your company operates in 3 main segments, 3 main verticals. One is the Bulk Drugs which is the API which is the core, and which constitutes the major portion of the company business and I would say the basic backbone of the company. Then, the second division we have is Diagnostic Devices which is upcoming one and is contributing another 15-20%. Then, third of course is the Finished Dosages. These are all 3 divisions sitting in the main company. Then, we have a subsidiary Dr. Morepen which is doing the OTC part.

So, coming specifically to the segment wise numbers, before we move into the numbers, just to bring everybody to speed**,** we actually got 3 manufacturing facilities. Of course, main is the Baddi plant which is approved by FDA, and then is Masulkhana which is again approved by US FDA, these are both API facilities. But in Baddi facility, we also have R&D, Diagnostic Devices, Finished Dosages, OTC. And of course, both are in Himachal Pradesh and Masulkhana is only for the API. Finished Dosage is also in Parwanoo and plant had been inspected by Korean FDA, by Japan, Australia, EU-GMP behind the paper audit, EDQM and of course WHO GMP by the Indian authorities. So all the facilities have global approval international standards and then we come to the facility and the growth part, so the Baddi where we are going to have the future growth plant also. And in the last investor call and in the last results, we have shared that we would have an expansion, that expansion is going to take place in Baddi, Himachal Pradesh. That site is already approved, but certainly projects have to be approved again.

So, looking at the overall company’s revenue now, consolidated revenue of the company has gone up by 57% from Rs. 216 crore to Rs. 340 crores. And as a half year, I am happy to share that the company has almost touched Rs.

600 crores. We are just Rs. 90 lakh short of Rs. 600 crores. Rs. 599 crores, your company has clocked in half year, Rs. 599.10 Crores. So, we are inching towards Rs. 1200 crores annual, maybe this year or next year. Out of this, 38% is exports and when we say exports means these are all to regulated markets and to higher markets like US, Europe and of course even to Japan, Korea, China. So, these are all good, high-priced markets. And 72% business is still domestic. And within domestic, we have finished dosages, generics, diagnostic devices, OTC, but still around 40% chunk still comes from exports. Of course, these are all the high-end markets. 67% growth in the revenue and I am repeating that in spite of the so-called bad year for certain industries, COVID had been a big issue, so your company has been able to do very good and thanks to the whole team efforts which they have been working day and night during the COVID team.

Comparing the segment wise revenue as per that in the last year, so last year our API revenue was 62% and in this half year, now we have completed half year, now it is 63%. So, API share has gone up by 1% and similarly, the diagnostic devices, devices were contributing 21% last year. So, this year, there is a huge demand of glucometers and BP monitors and diagnostic devices business has also gone up. And the diagnostic devices business, the share has gone up from 21% to 25% now. Finished dosages is still struggling because the doctors and hospitals are not working fully and OPDs are not working, and we are still struggling to maintain the share. And finished dosage has reduced from 17% to 12%. So, net-net, API has gone up, which is our core export has gone up, which is I would say high profit. And diagnostic devices have also gone up and the margins of diagnostic devices have also gone up. That is the segment wise situation.

And coming specifically to the numbers, API business has gone up by 60% which is huge from Rs. 116 crores quarter to Rs. 185 crores quarter. For the quarter, diagnostic devices have almost doubled, from Rs. 45 crores for the quarter to Rs. 90 crores for the quarter, it is almost 98%. Finished dosages, as I shared with you, we are still on the path of recovery. As compared to the last year same quarter, it is 4% down from Rs. 35 crores to Rs. 33 crores. So hopefully, this quarter it should come back, but fortunately, the OTC business, Dr. Morepen has done well this quarter as compared to the previous year same quarter, it is 53% up and as we shared in our last call that your company had launched many innovative products for the COVID care whether it is sanitizers or disinfectants or facial masks or immunity products. So all those COVID products at Dr. Morepen increased in topline from 53%.

So basically, finished dosage and OTC, both are operating in the same market segment, but finished dosages is primarily based on doctor prescription, but OTC is more of direct buying by the consumers. So direct buying by the consumer had gone up and online buying has also gone up. So 60% API and 98% diagnostic devices, I would say these are the two headlines.

If we now move specifically to the API division, as you all know that your company has been very focused, and we do not have a long list of 50 products or 100 products. We work in very limited products which are high-value drugs, multistage synthesis and with complex chemistry so that some products have 10 stages, some products have 24 stages. So we work in complex reactions where lot of R&D and quality control measures are required. And most of the products what we have are in lifestyle diseases, which are clinical diseases, which are consistently in demand and of course, this is on the high growth category as per the data available, and all these categories are anti-diabetic and cholesterol reduction, high potential, neuropsychiatric and of course our main product Loratadine is anti-allergic. Montelukast is also anti-allergic and asthmatic. So basically, the focus of the company is not to have a long list of products and doing a little bit of small products every time. So, we do only high-value products. There are some complex chemistries involved. So, we are within chemistry, that is what our core competence is.

And coming specifically to the export, API export had been very good. Like, I shared that the total export of the company is 38%, but within API, last year our export was 72%. So out of every $100, $72 is earned from the foreign exchange. So this is a foreign exchange earning which balances our import payments also, even though we have some imports from China but since we have high export components. Our so called balance of payment is very good and in case there is an upside in the value of dollars to rupees, we tend to gain, that is it. 72% export business to highly regulated market, high value drugs, good chemistry that had been our core. So Rs. 245 crore is the export we have already done in the half year and this is more than what we did in the whole year in FY18. And last year, our total export was Rs. 341 crores. Out of Rs. 341 crores, Rs. 245 crores has already achieved in this half year. So looks like this is going to be a buoyant year for the exports, and exports are not necessarily in one particular part of the world. So European market has gone up by 10%, APAC market which is Asia Pacific has gone up by 45% which includes China, Bangladesh, Korea, Taiwan, Thailand, so that has gone up by 45%. And in US market in spite of all the lockdown has gone up by 16% and other miscellaneous markets have almost doubled, the numbers are small, but have almost doubled, 220%, 3 times. So, net-net, exports have gone up by 37-38% from Rs. 92 crores to Rs. 127 crores in all the different continents of the world.

Coming specifically to the IP part. During the quarter, we have filed 3 more patents. We have now 125 patents filed. Out of which, 55 patents are active. We filed one more DMF in the US market. Now, the number of DMFs have added to 111 DMFs. So, China, we have registration which is called IDL, import drug licenses. So we filed one more in China. So instead of 8, we got 9 now. And of course on the 25 new products, we have been added to the product basket, thanks to R&Ds. So R&D team had been very efficient in spite of the work from home and COVID and everything, senior people are sitting at home and directing and still the team have been working. We had all the little hassles here and there, but thankfully, the results are very good. So 125 patents, 111 DMFs, 9 IDLs and of course 25 new products, all to US, Europe, Japan, China, Australia. And I shared earlier that because of all these IP, we have been approved by FDA, EDQM, PMDA Japan, KFDA Korea, TGA Australia and of course EU-GMP.

So last time we shared with you that we have an expansion plan at the same site and the major expansion happening after almost 22 years. The existing setup, the plant was basically set up in year 1998-99. So now Government of India is supporting the API expansion plans and also launched performance-linked incentive scheme and of course we badly need expansion. We have lot of pending orders. So, we are also part of this Make in India campaign which the Government of India is supporting. And we thank Honorable Prime Minister for that they are specifically progressing on API because lot of the countries, core is dependent on the import from China. So once we have larger capacities, we may be able to reduce some dependency on China. So the project is 178 crores, it is going to take 3 years for completion and of course we may have new hiring to the extent of 700 people, new capacity to be added is around 2000 metric tons with around 40 products. Some old products would also be consumed, capacity will be enhanced and some new products would be added. The total production value expected from the capacity is around Rs. 4000 crores. So basically whatever production capacity we have for the API, it is going to almost 3 times with the addition of the new facilities what we are going to add up. We already have a site and we already got a single window clearance from the Government of India from Himachal Pradesh. So, we are still awaiting for the environmental clearance. The meetings have already happened. So soon your company going to add this new flag to its credit.

While we expand this market, so as I shared that this is a new expansion we are doing almost after 22 years. So it is a big milestone. So the existing market of the company's products, the main 4-5 products what we have is around $4 billion, which is expected to go down to $2.8 billion in next 3-4 years by 2025, but with the new basket adding up, so our new market size would be $42 billion. So from $2.8 billion to $42, rather 42 plus 2 to be almost $45 billion. So the market is going up by 15 times. So we are expanding the market and expanding our reach and of course, we have to work hard to get all the products commercialized and do the sourcing part, do the R&D part, but $42 billion market is huge and actually we are not expecting major share. Our expectation is only 3, 4, 5% share of the market and hope that whatever targets we have in mind, our team would be able to achieve profitably.

Then coming to the second part, the Diagnostic Devices. As I shared with you, had been doing phenomenally well and its turnover has almost doubled from Rs. 45 crores to Rs. 90 crores with a 98% growth. And year as a whole, it has done Rs. 137 crores which is almost equivalent to full year sale of FY19. So FY21, 168, from Rs. 168 crores is already at Rs. 137 crores, so it is almost 80% already done. So diagnostic business is doing very good. So within the devices business, glucometers, our main key product and around 70% of the sales come from glucometers and which has gone up by 74%. So glucometer sales are doing well. First quarter, it was still not much going strong, but the growth was only 40-45-50%. But this quarter, glucometers have gone up by 74%. BP meters have gone up by 185%, close to double. Thermometer sales had gone up by 311%, again I would say this maybe a temporary thing because of this non-contact thermometers, IR thermometers and nebulizers also has gone up by 43%. People have respiratory problem and all this COVID scenario is pushing nebulizer sales also a lot. So, glucometers, BP monitors, thermometers, nebulizers. Then, we have another product which are growing 30-40% each. The glucometers as I told, that was around 71% share last year.

I am happy to share that we have got 40 lakh installations of glucometers**.** We have already installed in the market and in the previous quarter, in this last quarter of Q2, we added around 4 lakh new meters in the market. Out of 40 lakhs, 10% has been added in the last quarter and so 60 billion strips were sold in the last quarter in Q2 FY21. So this quarter was very, I would say, eventful. The number of meters sold, the number of strips sold was highest, number of 60 billion strips in one quarter like 6 crores strips have been sold.

Coming to the last segment, the standalone company that is the finished dosages. As I shared with you, that it was badly affected by COVID. Last quarter was a bit disturbing, but this quarter it has come up. We are only 4% down as compared to the pre-COVID level last year, so from Rs. 34.71 to Rs.

33.43 crores. And year as a whole, it is Rs. 56 crores as compared to Rs. 137 crores. Year as a whole, we are still lagging, but quarter-to-quarter showing the results.

Then the last segment where we have done lot of efforts on the COVID front is Dr. Morepen, they are our OTC brand. So this has shown a very good positive traction. The numbers have gone up by 53%, Rs. 15 crores to Rs. 23 crores for the quarter and year as a whole, last year was 64 crores. Out of Rs. 64 crores, Rs. 45 crores has already been done by Dr. Morepen in the half year. So Dr. Morepen also is showing very good results and we discussed about the COVID thing in the last call, so I do not want to take your time now.

Coming to the financial highlights. As I had already discussed that the net revenue of the company has gone up by 57%, from Rs. 216 crores to Rs. 340 crores. Expenditure has gone up by 50%, from Rs. 198 crores to Rs. 304 crores, so basically the 7% delta. Revenues were up by 57%, expenses gone up by 50%. So there is 7% comes directly to the bottomline. So EBITDA has almost doubled, 99% from Rs. 18 crores to Rs. 35 crores. And if you look at the profit before tax, that is almost 3 times from Rs. 9 crores to Rs. 27 crores, almost 200% jump, 198% jump. And last year same quarter, there was some provisioning of tax MAT was reversed. So technically, that Rs. 9 crore profit became Rs. 4 crores. Profit after tax is from Rs. 4 crores to Rs. 27 crores. That moves to final earnings which is the EPS. So EPS has gone up from 9 paisa to 60 paisa for the quarter. That is broadly the financial highlights.

We do have some balance sheet numbers which are more technical, but the equity capital of the company has remained same. Reserve surplus has jumped from Rs. 194 crores to Rs. 241 crores and total shareholders fund has gone up from Rs. 284 crores to Rs. 331 crores and return on equity has gone up from 11.8 to 14.1%. We do have some preference capital outstanding from the bank, Rs. 119 crores which we proposed to either pay cash or convert into equity, what they are proposing a cash then of course, there is no debt in the books of the company. All the debts have been cleared except this preference capital which as per the new accounting standard is classified as a debt, but otherwise there is no loan in the books of the company. All the loans have been cleared. So we rather have fixed deposits in the bank and we sometimes avail overdraft facility or letter of credits so there is nothing like a debt. We do not have a term loan and even working capital loans. And we are proud to share that we are doing this Rs. 1,012 crore topline without even Rs. 1 working capital from any bank. So profit before interest and tax has gone up from Rs. 41 to Rs. 47 crores. And return on capital has also gone up proportionately. That is broadly, I would say, the numbers and I would request that in case anybody has any specific questions, please feel free to ask.

Moderator: Thank you very much, sir. We will now begin the question and answer session. We have the first question from the line of Mr. Ramesh Kasbekar, individual investor. Please go ahead.

Ramesh Kasbekar: I had spoken to you last time in the last presentation and made a few suggestions also about the expansion and things like that. I have a few things to say. The first one is about the bulk drugs. You have really given an outstanding performance on this front, but I think your website needs to be updated for the number of patents and DMFs which you have mentioned in your investor presentation. The numbers which appear in the website are old and I would appreciate if you could give the details of those patents and the DMFs for a potential customer, it helps, who is abroad? The number two thing is in bulk drugs, you have said that you have expansion plan of about 170 crores on. Could you break it up investment wise and revenue wise per year starting from maybe 21, 22 and onwards. So we had a fairly good idea as to whether these investments made are generating revenue year wise or they will generate revenue only after the end of 3rd year?

The second area which I would like to focus upon is the formulation business. Mr. Suri, I agree that the pandemic could have slowed down the sales, but many pharmaceutical companies have reported excellent figures even in formulations during this time. We established this division sometime in 1995, I believe and over a period of 25 years, this division has contributed only Rs. 137 or Rs. 138 crores as of last year. Now, I wanted to ask you, you have said somewhere in your website that you have a US FDA manufacturing facility even for formulations. If this is true, then I do not know whether we have made any attempts to sell formulations to our API customers. These API customers in US and in Europe, obviously have high cost formulation manufacturing facilities and maybe they would like to cut the cost and could affect the site transfer and give us these products on principal to principal basis. Since you already have relationships in API with some of these maybe large manufacturers of Atorvastatin and Montelukast and products like that, maybe you can manufacture these formulations herein India and then export it instead of exporting them the API. You can cover your overheads here. You can have a markup which can be very decent and maybe much better than the domestic formulations so that at least the manufacturing of the formulation facility goes up, the overheads are absorbed and you make better margins. The numbers, two things which I would like to say about the formulation division is, I believe, we have some 100 branded formulations over 8 therapeutic groups, but obviously they have not been growing. Now this could be because of maybe your people need to be upgraded and they are not good enough or maybe we are in the wrong product segments which are growing very slowly. In any case, I think I am too small to suggest you any improvement there, but I think since over 25 years, we have not grown whereas other companies have done very well in formulation businesses, domestic formulations. I think this division needs a complete relook in terms of field force, call averages, doctor list and things like that. So my request is please have a look at this division. There is a lot of potential there and I am sure with the kind of products, some of them are almost OTC products. This division could do very well.

The third is about the diagnostics and the OTC division. I wanted to know sir, where we are divisioning our pregnancy test? Whether it is in diagnostic division or it is OTC division, I do not know or whether you have a common field force for both these, that also I do not know. So if you could enlighten us on this, we will be grateful. The reason why I am suggesting the pregnancy test kits as well as I would like to know whether you would like to go into condoms because that is also an OTC kind of a thing and they are distribution based. So if you have pregnancy kits and if you are able to sell pregnancy kits, you should be also able to sell condoms and with COVID times, people sitting at home, I think these two things will get lot of demand along with your COVID other things. The field force size is very important to you and whether there is a common field force size in diagnostic and OTC, I would not know. So kindly enlighten on that.

The last thing is I just checked about your Oximeter price which is about Rs. 1500 on Amazon and Flipkart and India being a very price sensitive kind of a segment, Oximeters are available for something like Rs. 600 – Rs. 700. So I do not know, probably our goods are out of stock that is what the Amazon site says, but I do not know whether it is a choice that you have priced it higher. I must thank you for the great performance.

One last question on financials. There is no tax provision. So is it going to be made at the yearend or we have some accumulated depreciation, maybe tax losses which we can set off against the current profits. That is all sir. Thank you very much.

Sushil Suri: Ramesh, first of all I must thank you that I think you are taking care to understand and get into the details of each and everything, which is very appreciable. In today's world, people do not have time to even study the standard things and the standard reports, but you have done a good insight analysis.

So coming specifically to the points that for the patents and DMFs and like you said the website, our website is getting rejuvenated and most of it has been approved, but I think it is still with some legal guys and IT guys, they are still playing the game and it may take another 4 to 6 weeks' time. I think by the time we meet for the next results, so the new website will be up and like you said, what are the details of the patents because what all patents are there, these are all public. Most of the things are very hyper-technical, nobody understands, but only R&D guys understand, but we still have it on the website, but you are right, we will update it. And the new design of the website is more informative, more interactive, but our latest observation was that not many people are visiting websites, so more and more people are interacting on social media. I do not know whether you are tracking Dr. Morepen on social media. Just check Dr. Morepen, there are multiple enrolls on Instagram and there is a regular updation on Dr. Morepen and then there is a personal grooming section named as Dr. Morepen Health. So more and more people are visiting social media sites, but yes, our international customers, they look at the website. So suggestion well taken and this COVID was one reason which delayed all the things, but now as we are having piloting the website on the Zoom calls only, it is already by the team. Now, it is between IT and legal guys, they should come up now.

Your second question, which is appreciated and which is very, I would say, my suggestion that expansion plan is just given from a cost of project point of view. Certainly, it is important to start from the cost perspective because what are the financial arrangement, where is the money coming from. So certainly, all projects are run based on the breakup how much land, how much revenue, how much building, how much machineries, that is the first part. Second is EMIs revenue, but EMIs revenue still based on basically, Ramesh, two points. One, of course is simple projection purpose and capacity utilization purpose which is submitted to the authorities for purpose of calculation, but what we have done is that we have done our sales plan based on the marketing team that what marketing team is doing, what customers are buying and which customer is going to buy what for next 3 years' time. So there is basically line by line, item by item, customer by customer. We made 3-year budget and then of course next 2 years forecast**.** So naturally for those things, we need enhanced capacities. So that is what the capacities would be setup and then those are being setup, now whether all things will come together, whether things will start only in the third year, your guess is very right. Actually, we are not going to wait for everything to start simultaneously depending on the demand and supply, depending upon the market leads whatever would be required, fast that would come up fast and certainly, we are not even waiting for the new project to come up. So even if we have to do some adjustments in the existing side, we keep on doing and customer is important, demand is important because if we lose a customer, it is very difficult to get back. So I would say that we have line by line item for each and every year, but we are not specifically defining that okay, this thing will come for old plant, this thing will come for new plant. This is our target for next 5 years and 10 years. We already have plants and all those plants are being met including the increased capacity and of course the existing capacities. But yes the ROI perspective, certainly we will try to match hereby our growth also. But first one year, I would say would be practically very slow because it has been more of a building construction phase and because new blocks have to come up and by the time our production blocks are ready and machine start reaching at site, so that is the time will catch its speed. Certainly, we will keep you in the loop. And your third point is very interesting on the finished dosage. And we have this lot of internal debate that all pharma companies are doing good and why not our team, but we are openly sharing that our team is not very big, we have a very small team of around 140-150 people as compared to some 4000-5000 big team in large companies. So we have a very small team and our focus area had been always on the API, but now since we have the new pipeline of APIs of all the new molecules, so we have plan to spend on the cardiac division, cardiac and diabetic. We have appointed a new senior guy who is from the industry, I am not naming and certainly, our focus will be more on cardiac and diabetic which are the chronic lifestyle diseases and we have a strong pipeline of all the gliptin and gliflozin which are new molecules. And as a strategy, we do not want to be a part of the mill and we do not like to repeat the generic thing. So we always wanted to do something exclusive. So now, we have a strong pipeline. We will certainly go into the market with that, but as far as this international suggestions are concerned, the point well taken, but we do not have the US FDA facilities for finished dosage. In case you find it on the website, maybe it is normally written or not updated.

Finished dosage plant, we use US FDA facilities of international partners. In Desloratadine we have a DMF and ANDA with an international JV partner. They manufacture in US and we do not have US FDA facility, but that is on agenda, maybe not immediate agenda. This expansion what we are doing now that is only for the API, but once we done with the API, we do have surplus parcel of lands, so we may go for finished dosage product also and have a facility up to the international standards, by which we can add on the finished dosage also. But for the time being, we are expanding only in the API part.

Coming to your next point, the therapeutic categories and formulation business category. So you rightly guessed that having so many divisions and so many products is not adding up. So now the focus is only on the cardiac which is cardiac and diabetic. Cardiac is the main of the division, cardiac and diabetic and of course a little bit of neuropsychiatry, which is I think will have our own API. So we have all the new APIs and all those new APIs are going to add to the finished dosage business also, but yes, it is going to take some more time and our focus is in the core competence. And as we already discussed that company had been so far focusing on repayment of the banks and settlement of the old debts and liabilities and we do not have any working capitals, so where do I get better returns? The finished dosage business and to an extent OTC business also, it needs some upfront investments. As a company, we were targeting that okay, we should not overspend and spend on the thing which are low yielding as on today, but now we have surplus cash flows and formulation business is also coming in picture, but yes, it is not our, I would say, core competence.

Your fifth question is on diagnostic devices, OTC and pregnancy test. And pregnancy test, presently we are marketing under OTC under brand QuickChek, and it is growing very rapidly. And like you said that all teams can sell and maybe what teams sell, but diagnostic devices business is the team who have R&D and they have developed some new tests which is more effective and more accurate, but just to share with you the market of this product pregnancy test is very competitive and there is a cut-throat competition in the market. There are low margins. So either we create a brand like one of other pharma companies manufacture, they spend lot of money and create a brand and spend money on that. Otherwise, it is a very competitive category. So we will see at appropriate time that we want to spend money behind the brand and only Dr. Morepen as one brand or QuickChek as another brand or Burnol has another brand, but yes, it is in our radar, but as on today, the market is very competitive and nothing specifically to your connected question about the condom, we started this product many times, but again this is again a competitive market plus the market has got 2 or 3 high-end players. To break the monopoly of these high-end players, again you have to spend lot of money. Rather there is an opportunity to buy a company also, a nice good company, boutique company which are up for sell for the condoms but our marketing team was not excited about it because it is a very price sensitive market. But yes in case we get a good tie-up with some interesting brand, we are open to do that, but primarily Dr. Morepen as a brand is more on health and devices, is only on devices and of course to answer your question, whether field force is together or separate, our field force is separate for all divisions, diagnostic is separate, devices is separate, finished dosage is separate. Within finished dosage, every division has got separate field force.

And your next question was on the Oximeter price. So you guessed it right that either we are out of stock that is why our price is higher. So Oximeter is in great demand and we are shortly supplied. And even for our routine, if somebody asked for a sample or if somebody wants to go to the office, you have to wait for a few days. One, of course is transportation and COVID issue, but in general, we are not able to cope up with the production because the basic, some of the ingredients, some of the raw material is still coming from China and there are restrictions, but yes last year because the sale was almost negligible, just 2000 pieces, now they need 20,000-30,000 pieces every month. So we are jerking up the production and there were limitations on increasing the production also. We were not adding too many people because of COVID. Now, we had well on the process and we hire a person, does the COVID test and quarantine for 2 weeks and then we have started the new hiring now.

And your last question was on the tax provision. And certainly, tax provision is not at the end of the year, it is done on a quarterly basis, but last year we availed the scheme which was suggested that in case you provide for MAT, your tax rate would be say, I think it was 25% plus and if we surrender the MAT, so our tax rate would come down to 22%. So we surrendered the MAT and our tax rate has come down. We do have some carry-forward losses. So maybe not this fiscal, but next year onwards, we will have the provision for the tax also. So whatever profit we are enjoying now, maybe next year, it would come down a little because of the taxation, but naturally, the team has to work a little more harder to give you the same number of the same EPS. That is broadly. I hope I did not miss anything.

Ramesh Kasbekar: You have done great, sir. Only a request, if a shareholder wants to give you any suggestions or some feedback, is it possible to give any email id or a communication number where we can communicate?

Sushil Suri: Of course, there are numbers of our Corporate and Company Secretary and others, but you are right that there can be a separate email id for suggestions.

Ramesh Kasbekar: Because there could be people from the industry who could be your shareholders and…

Sushil Suri: I can see that. I can understand that. Suggestions from any side are welcome and see if it can be a separate corner for that, but certainly there are multiple mail ids for various things, but now we are trying to improve that so called contact page also because too many different things, sometime consumers, sometime customers, sometime customer complaints, sometime shareholders, sometime some vendors, they may try to keep life simple. So there are separate email ids for everyone. Mr. Ramesh, thank you for spending time and studying your company.

Ramesh Kasbekar: It is a great company. I am sure it will go great heights.

Moderator: Thank you. The next question is from the line of Mr. Subrato Sarkar from Mount Infra Finance. Please go ahead.

Subrato Sarkar: Sir, just few questions from my side. One is on the balance sheet question like sir why our receivables are so high. So this is one point sir I am just trying to understand, if you can throw some highlights on that? And second thing is sir like we are only into 4 molecules. So if you can share like how dominant player we are mainly into those 4 molecules and like what is our future plan? We won only four molecules in terms of size or these 4 will only remain significant or there are few more molecules which can become significant maybe within next 1 year, 2 years' time period?

Sushil Suri: So Subratoji, coming to your first question on the balance sheet perspective. So the receivables of the company are well within the limits which is the industry limit between 55 to 60 days and sometimes we are going up to 90 days. But this quarter, particularly 30th September, the receivables are high because we had huge sales in the month of, I would say, August, September and since most of the sales happened in the month end. So the month end numbers sometimes are misleading, but when we look at the average debtors holding, it is within the number of days and rather it has reduced as compared to the previous thing because in March, the topline was low. So technically, the number was looking higher, but now we have seen that on an average basis, our debtors are improving better. But as far as the monthly sales will go up, there would certainly be an upside in the numbers. And in diagnostic division, we do not have any credit. We sell on advance payment. In API, of course domestic pharma companies work, no one give the advance but in export also, certainly 60 to 90 days for the payments to be cleared, but we are within limit.

Coming to your question of new molecules, so you have a very valid question and very intelligent question that these are the 4 molecules which are contributing, but these 4 molecules are what we have been able to generate and create over a period of time. It has taken us 20-30 years to reach to a level that we are happily saying that we have Rs. 600 crores topline, Rs. 700 crores target with these 3-4 molecules which are contributing. But to answer your question that are these only ones which will remain, the answer is no. These molecules will slowly decline and their share will go down from presently 90% to maybe 40%. So we have another pipeline of almost 20 products in the similar category, anti-allergic, anti-asthmatic, cholesterol and then hypertensive. So all these drugs will come up and we are naturally looking for more and more blockbusters in the coming years and we are launching these products one by one and as we go along, so every single product is now having a good market share. For example, Loratadine has got a market share of 59% out of India export and whatever export is happening, 59% of the goods go from us. In Montelukast, 37% of the goods are Morepen's goods which are exported out of India. Atorvastatin, we are still in the competitive stage and Morepen' share is 10%. Rosuvastatin, our share is 8%. So we are gradually gaining up shares in Atorvastatin and Rosuvastatin. Someday, we will reach there also but other than that, we have a long list of products which are expiring in the next 5 to 10 years. For example, we have Rivaroxaban, Vildagliptin, Sitagliptin, Linagliptin, Saxagliptin, Dapagliflozin, Empagliflozin. These are the products which are expiring in the coming years. So we have, I would say, item by item list with us and what product expires when, but of course, those are all futuristic things. We are coming to you with the results which have actually happened. So just be comfortable that more and more products we are adding every time and our dependence on these products would certainly reduce, but the good point is that for example product like Loratadine, so we were having almost 90% market share back in 98 when we started supply and I am proud to share with you that in last 22 years, we have not allowed anybody to break that monopoly, we are still number one. So that is our strategy that whatever we do, we are number one. We do not want to be a part of the crowd. Montelukast, we are the largest one in the world in terms of capacity and whatever, whosoever wants the good quality Montelukast, they will get it from Morepen. So similarly, we are having a similar strategy for Atorvastatin and Rosuvastatin and other new molecules as and when we will keep on adding up, so they will also go for the blockbuster category only.

Subrato Sarkar: So, just a followup question like since we are already into this 2 statin molecules, so statin is a very big product without any doubt. Sir, two point question, very specific question. What are our strategy on these two statin and are we considering other class of statins also to produce and same question about gliptin, since gliptin is now second-generation, very promising molecule. So what is our strategy on the entire gliptin family sir?

Sushil Suri: Basically, I would say our main focus is on diabetics. So in diabetic, we have gliptin. Like I told that we have Sitagliptin, Linagliptin, Saxagliptin, Vildagliptin, Alogliptin. So these are the 5-6 gliptins we have. Then the second category we are growing is gliflozin. In gliflozin, we have Dapagliflozin, Empagliflozin, Ertugliflozin. And in case of cardiac, we have these anticoagulant products, Apixaban, Edoxaban, Rivaroxaban. So this is the new third category. And then of course, we have products on the neuropsychiatry. Basically, the whole priority is like I shared that lifestyle, chronic diseases and of course, the number of products, number of diseases will keep on changing today is something, tomorrow will be something else. So sometime products work, sometimes it does not work, sometime there are some other issues. So we keep tracking and we have a full-fledged department who does the pre-launch study, what are the products in clinical trial, what is happening in the post launch period and what happens to for example market situation so we track the data for the top 500 products and we always say that within top 100 products, we should always be in the game. Out of 100 products, even if 10 products click, they are home.

Moderator: Thank you. The next question is from the line of Mr. Tushar Sarda from Athena Investment. Please go ahead.

Tushar Sarda: I wanted to understand little more about your diagnostic business. What is your long-term outlook on this business? How fast can it grow and how much will it grow? Second is how much do you sell online and how much offline? And third, since your focus is on glucometer, would this strip sales be recurring and what are the margins on this strip sale? So these are the three questions I have. Thank you.

Sushil Suri: Just to quickly reply you that diagnostic business is evolving business and it is a new age business and when we started naming this business, we called it new generation self-care because people in earlier time are dependent more and more in the doctors than self-testing not in the game, but slowly we introduced this concept of self-testing and now, more and more people are happy to do their self-testing at home and as a company, we are leaders in creating a brand for home diagnostics. Home health is our name of the brand and most of the other pharma companies like Rameshji had asked question earlier focusing on finished dosages and everybody was focusing on a doctor chamber. We had added to focus outside the doctor chamber and likely talk to the consumer and make a brand for ourselves. So it is a very fast growing category and this business I think is growing ahead compounding annual growth rate of CAGR of almost 34% year-on-year. And particularly specifically talking at how fast it is growing, I would say it is growing very fast, but let us see the numbers because India is a diabetic capital of the world and there are almost 70 crores diabetic expected in I think 2050 or something but we are saying that even the addressable market leaving aside the villages and poor people and anything else so we are only 40 lakhs, we just 40 lakh meters we have sold. So even if we discount the market by 70-80%, target is 10 crore diabetic population by next 20 years. So we are at only 40 lakhs, so miles to go and huge work to be done by the team. And specifically coming at is the strip sale recurring, answer is yes. It is like a typical printer cartridge model. You buy a printer and then you buy the cartridges for lifetime. So similarly, you sell a good quality meter and then of course we have to keep supplying the strip because without strip, the meter was of no use. So some companies have priced their meter high, some companies priced their strips high, but we keep both in affordable and certainly, we had a good margin because we have our own production. So we are producing it on our own and it is inhouse production. So we have some good margins here as well.

Tushar Sarda: And how much is online and offline of this in this? How much is sold offline and how much sold online?

Sushil Suri: We do have, I would say, a lot of noise online if you google Dr. Morepen all you will see BP Monitors and glucometer, but sale of online is not more than 5%. We still have major distribution, 95% is offline only.

Tushar Sarda: And this is all you said cash and carry?

Sushil Suri: So almost cash and carry because we sell in advance payment, but some of our distributors, they put it online, we did not count. We have some distributors in Bombay who do only online business. So they may be selling, but as a company, we do not compete with our distributors.

Tushar Sarda: And what is the margin for diagnostic business as a whole? Do you disclose that separately?

Sushil Suri: No, we do not disclose, but I would say it is in line with the overall EBITDA margins, rather it is little better.

Tushar Sarda: And any plan to introduce more products or you are happy focusing on glucometer for now?

Sushil Suri: Look, I would say glucometer is the cash cow which is a running business, but certainly we are adding more and more products and the whole idea is to do the complete backward integration of BP meter, glucometer, which are I would say diabetic and cardiac, but then actually we had weighing scales, we have thermometers, then we have heating pads and then stethoscopes, but we always have to see that okay, what makes better return on capital employed and where do we think that there is a demand. So take a simple product like stethoscope just for Rs. 100 or Rs. 50 stethoscope, there is no technology involved and there is not much innovation involved and there are small scale players available in the market, so we do not focus on those products. If I have to focus on the product where there is a technology involved or a chemistry involved and it is difficult to produce. So we could see that glucometer is one and certainly, nebulizers is another mechanical thing but yes, that is needed. Most of the things are earlier imported primarily from China. So as we keep on reducing our dependence on China, more and more things will come to India and we are seeing lot of opportunity here, but going forward, there is a good scope for Bluetooth devices, connecting devices, data management and attachment to your app and softwares. So those are the things which will see at a later date. But certainly we have to see that we should reach at a good volume place and we should have a critical mass.

Tushar Sarda: And last question sir, do you manufacture this yourself or do you import?

Sushil Suri: Yes, we manufacture. We have a plant and we manufacture it in Baddi.

Moderator: Thank you. The next question is from the line of Mr. Rajesh Vallapuri, individual investor. Please go ahead.

Rajesh Vallapuri: The way you are performing quarter-on-quarter and year-on-year being an individual investor, I am happy about it, but there are few concerns being the individual investor into your company. The first one is like recently, you have taken a preferential share by investing around Rs. 421 crores. So in what way these funds will be utilized, that is question number one and number two in last AGM notice, I have seen that the promoter salary is getting increased from Rs. 2 crores to around 10 or 20, exactly I do not remember the exact figure, but it is going around 5 to 10 times from the previous salaries. And third one is regarding R&D expenses. So I could see in AGM notice that you are spending around Rs. 1 to Rs. 2 crores on the R&D. Will it be sufficient for you to grow in the next upcoming years with that R&D expenses for the company to grow eventually? And the last one is the thing is related to every shareholders. There are many shareholders who do not have much trust on this company. So do you have any plans to regain the confidence from shareholders to invest into your company because I do not see much of the mutual funds or individuals investing more into your company. Can you give us some details around it? Please.

Sushil Suri: Thank you, Rajeshji. Thank you for all these, I would say, polite questions, but these are very important for all the shareholders to understand. Through you, we would like to communicate. So like you said that quarter-to-quarter, year-on-year, performances had been good and thank you very much for appreciating that. Coming specifically to the warrants which are to be allotted to the promoters and it was there in the extra ordinary general meeting. Rs. 420 crores is the amount of money which will be received over a period of next 18 months. So as a part of the notice, it was shown and we talked in the EGM also that the money would be utilized primarily for the new CAPEX which is coming up for the expansion. And of course, the growing need for the working capital. As the turnover goes up, so our investments in the inventory or investments in the debtors that also goes up. And to an extent, expenses also go up. So third of course is that we have some outstanding preference capital of the banks which needs to be settled depending on how the banks want, they want to settle it or they want to connect with the equity. So the cash flow will be utilized for all these 3 activities and immediately in the current financial year as we talk today and within this at on the prescription of orals, 25% money is required to be given by the promoter upfront and balance money will close within 18 months of time. As and when the project requirement is there, the balance money will keep coming and scheduled be matched so the production is not delayed. Coming specifically to your question on the salaries and remuneration on the promoters and directors, so basically these are done on a rotational basis, but we actually do not draw salaries and those things for the promoters, till the time there is sufficient profit. There are certain norms provided by the Companies Act, so those are done within the norms only and I am happy to share that last almost 25 years, the company had been struggling and we were busy paying the banks and other things and we did not draw salary for I would say 10-15 years, so now since the company is coming up and back on track, so we are trying to put it according to the market condition, but these are all standard resolution in the past, but when actual payments are made only there is a sufficient profit.

But your next question is very interesting that is R&D expenses, so the nominal expenses what we are doing is enough for the company to grow, so I would say here R&D expenses what we see in the books of accounts separately dedicated are only the expenses which are dedicated only for a particular lab or a particular thing which is separate, but we try to expense out the R&D expenses. Some companies, they try to capitalize the R&D thing and maybe we can handle the profit, but we are little conservative and we try to expense out whatever is done and we do not try to highlight and may be capitalize the asset, but yes, you are right, going forward, we have to increase more and more on the R&D and the revenues can certainly even go up and as we are adding more and more APIs and new molecules, so our R&D expenses certainly go up.

Your last question is on the FD. I think that was the long pending thing and we discussed in our last call also. So thankfully that has been acknowledged and that was more of a stretch free thing. So just to recap that NCLT Chandigarh and NCLAT, Delhi, so they had directed that all the shareholders who are allotted shares in lieu of FD, all the active FD holders who have allotted shares should be returned, but the share should be cancelled which was not legal and logical to cancel , because somebody is already having a share, we can't just cancel the share, so we requested everybody to come back and report to the company and including their bank accounts and give details of the portfolio and group of holding, etc., so unfortunately not many people replied, last year we had received only some 2,66,413 shares as on 31st March. So we were fixed that how do we go about it, so then we took advice from retired Supreme Court' judge and he advised that instead of meeting indefinitely, we should give a final notice because we cannot cancel the share till the person is known and so we gave a final notice and thankfully because of COVID may be people are home, we got good response and around 50 lakh shares have been surrendered to the company for cancellation, for which we have already made a provision and we have started paying that. And now in our books, that problem once and for all sorted and those people who have already registered and surrendered their share, those are being paid. Rather in our profit and loss account, if we look at the notes to account in the bottom of the P&L, so some Rs. 13 crore has been provided as a loss which company is in incurring because of interest and whatever waivers were given at that time. So we are paying interest from near 2002 to 2020, like 18 years of interest we are paying as per the court order, but whatever is the law provides, we are doing that and we have got 50 lakh shares which will be surrendered and may be by 31st December or may be by 31st March, we will file it to NCLT, to SEBI and stock exchanges for calculation of those shares. And once those shares are cancelled, the EPS of your company will also go up and of course, in case there are any active holders, we still have anything pending, so you will know we have closed those dates, the last date is already over, but in case there is anyone left over, we will always order it.

Rajesh Vallapuri: And one last question, will be there any buyback offer from the individual shareholders, like many companies do buyback of…

Sushil Suri: Yes, Rajesh, many companies are doing, we are all going to do it, but as on today our priority is to invest on the business, which is, I would say in very good situation and market demand is very good and we would appreciate that if we have little more patient in lifting the business and what we have certainly surplus cash flows, so it is always efficient idea to reduce the capital. If your capital is not doing anything good, but our capital is already churning out very good results, so I would say it is better to focus on the business for the time being, but yes, at appropriate time, in case we have any plan to buyback the equity, we will certain come back.

Moderator: Thank you. The next question is from the line of Mr. Sachin Kasera from Svan Investments. Please go ahead.

Sachin Kasera: I had 2-3 questions, one, what is this in the update on the preference share, if you could tell us which are our Rs. 119 crores which are pending, are there any negotiations with the banks to redeem them or they will be converted, if you could give us some light on that, that will be very helpful?

Sushil Suri: Certain preference capital of the banks we had Rs. 119 crores as you said that and around 58% to the banks, so may be 58-60% of the banks have agreed to convert into equity and rest of the banks have still undecided and depending on the price of the equity whether they want to go for conversion or want to go for settlement. So once we have chosen all the 100% banks, most likely they will go for settlement. Banks usually do not prefer equity, but depending on the price if they are happy that okay, the price is good and they want to have better earnings, so they may go for equity, but as on today, as a company we would prefer to settle them, but there is no ready answer with me. It could depend, how banks want to go about it, but we will like to pay them and settle them one time.

Sachin Kasera: And you are saying 60% of them right now shown interest to convert into equity as that is the status as of now?

Sushil Suri: This was as on March after COVID, there is only much interaction because at that time there was no plan for this promoter equity coming up, Now, the money is coming up, we will prefer to pay them and settle it.

Sachin Kasera: And what price the conversion will happen if it happens, sir?

Sushil Suri: That has the SEBI formula, 26 average over last 2 weeks, SEBI formula, average of 26 weeks' high-low of volume weighted average price or last 2 weeks' high-low of volume weighted average price, whichever is higher.

Sachin Kasera: And is it like everybody has an option, for example some people can opt for redemption and some for conversion or whatever is decided by the majority that will be applicable to all the majority shareholders?

Sushil Suri: Majority because earlier these were done through CDR, so it was through a majority. So now again it will come through majority, but if somebody has a smaller amount and he wants to settle one part of the CDR, he also has to wait. Normally, it is that in majority.

Sachin Kasera: And when you say majority…

Sushil Suri: Majority is 75% of present in voting**.**

Sachin Kasera: In terms of number or in terms of value, sir?

Sushil Suri: In terms of value. I remember 60% is present is already there and if other guys do not come up, even foreign bank do not come in that meeting, so anyway we can get a majority, but because of COVID, there were not any meetings and all those things, so we will see and of course bank have been busy in doing their own things, so may be after close of this quarter, by

January-February we will discuss with them and once we have the capital in hand, we will prefer to pay them.

Sachin Kasera: And you said one of the intentions of doing this preferential share to promoters to repay the preferential share, you could also utilize the funds from preferential allotment for repaying the preference capital?

Sushil Suri: Yes, earlier because technically we were not having so called dividendable profits, so preference capital can be redeemed only if you have sufficient profits. So now company is earning sufficient profits, so technically company can redeem the capital, but we have to see that we don't want to divide working capital, so we have to strike a balance, so that we don't want to compromise in the growth because shareholders have been meeting for so long for the growth, so once we get a good growth on the business level and we still have surplus, we will like to pay the bank settlement.

Sachin Kasera: Sir, second question was on the EBITDA margin, if I see our EBITDA margins are currently close to around 13-14%, even adjusted for the Rs. 12 crores of one-off charge that we have taken which is a little lower than most of the other API companies which are reporting margins in excess of 20%, is it because we have lower exposure to the regulated markets and once that changes, margins will go up or is it because in our products, because our own products the margin is lower, if you could just help on that that will be really helpful?

Sushil Suri: Yes certainly, you guessed it right. Basically as a pure API company, we have good margins and the margins are certainly improving and certainly, there is a critical mass also and volume also which is good now, but the companies who have perhaps high margins are, I do not know which companies you are comparing to, so they have lot of exposed or finished dosages which is by filing ANDAs and finished dosages and which are very high margin and even the domestic formulations also are very high margins. So within the API segment, we are in the range and certainly the things are improving and as we go forward, things certainly will be more and more better.

Sachin Kasera: What is your sense from a medium term perspective on the EBITDA margin, how do you see them as you mentioned that you are developing a lot of new products, so what do you see is the trajectory on a broadly range between say 2 to 3 years from now?

Sushil Suri: I would say it is difficult to give a number, but from present EBITDA margin, we certainly be up by 3 to 4%, may be up to 15%.

Sachin Kasera: And second question, when I see your annual report and I see your subsidiary Dr. Morepen on and around Rs. 65 crores of turnover, they hardly made some small profit of Rs. 60-70 lakhs, so can you tell us what exactly the strategies there and how do you plan to improve the profitability of that business?

Sushil Suri: As I shared earlier, this OTC business is primarily advertisement driven and as a company, we were conservative that we were not spending too much on advertisement and we are not having cash flow surplus and without that, we just launched two products, so that the product should be there in the market and we should get good traction. And now this quarter, it has started going up and the topline is better and the EBITDA margins are better, so once we have a good volume, it is basically a volume gain. We have to have a critical mass. Even if we want to give advertisement, we should have a reach in the market, we should have sufficient volume even to advertise. So really I think we have to wait for 2-3 quarters by the time, we get good numbers and we can afford a better advertising. And as I shared earlier, the advertising medias are also changing and switching from film to TV and now to social media, so they find cheaper ways to advertise and more efficient ways, I won't say cheaper, but more efficient ways to advertise, but otherwise Burnol as a brand is doing very good and Dr. Morepen as a brand is standing tall. Dr. Morepen brand does the diagnostic devices also. We have launched many products in the COVID, we have all the sanitizers and masks and then Chyawanprash, then we launched Burnol as brand extension into disinfectant, Burnol soap, then we had Glucosamine tablets, Vitamin C tablets. Basically, all these things are now helping because the product portfolio by Dr. Morepen was carried only Burnol . Burnol as a category has not increased, it is not going very up, Burnol as a category. So now we are trying to do brand expansion with Burnol into other category and we are expanding very fast and plus now one was COVID and second is that COVID has given new category immunity vitamin. Earlier people were not serious about taking vitamins, now everybody is taking Vitamin C, zinc plus other multiple vitamins, so we have multiple range of vitamins etc. So there is a good plan for Dr. Morepen, but you are right that when do we start taking money, when we had a critical mass and we are already doing that in this quarter, I am happy to share that.

Sachin Kasera: Just one last question on this preference allotment to the promoter, so promoter understand there is some cap by the SEBI and in our case I think the equity is going to increase by some 25-30%, so how do we cross the regulatory hurdle of that SEBI cap of how much a promoter can increase via preferential share or is it some relaxation I think that has come in pandemic, if you could just…?

Sushil Suri: Yes Sachin, you are right that SEBI has a cap that in one year we can increase only up to 10% and normally it is 5%, this year it is 10% and next year it will be again, so it is within period of 18 months, we may have to fix to 2 financial years to reach to the desired position so it will be done within that cap only without triggering open offer under takeover code.

Sachin Kasera: And if you could just don't mind sir, we are the promoters are infusing a very large amount of capital close to around (+400) crores at full conversion and since you are in the call if you could give us some insight on, what is the source of funding for the promoter because it seems like a very less sum and you mentioned that the promoters have not even taken salary when the company was going through the bad times, forget dividends, so that would be really helpful to know what is the source of money which is a very large sum of Rs. 400 crores for a small company like ours?

Sushil Suri: Certainly, we are arranging for some promoter funding which is going to help us ease this out and that is why we needed some time also, so we have 25% subscription now and we have some time and we have naturally tied up some promoter funding.

Moderator: Thank you. The next question is from the line of Mr. Tushar Sarda from Athena Investment. Please go ahead.

Tushar Sarda: Just a follow-up on my previous question, who are your main competitor for the glucometer sir?

Sushil Suri: We are number one, but I would say that we operate in the markets, certainly only two multinationals are there, Roche is the one who is there in the glucometer and Omron is there in the BP monitoring. Roche has a product called Accu-Chek, so we have Gluco One.

Tushar Sarda: And what will be your market share?

Sushil Suri: There is no official data available, but from the data what we see from their input, so their numbers are receiving and certainly we are gaining market share, so maybe we are 55, we are 45, may be sometime we are 60%, they are 40%, but certainly they are older than us in so many years, they are in the country for the last 100 years, so their installed base is more and our base certainly is adding up, so we are the fastest growing, but they may be still larger than us in terms of actual installations, customer base etc.

Moderator: Thank you. The next question is from the line of Mr. Pramod Kumar Agarwal, Individual Investor. Please go ahead.

Pramod Kumar Agarwal: Sir, I want to know when we can get the dividend from the company?

Sushil Suri: Now, as per the dividend is concerned, there are certain norms with SEBI and stock exchange had provided as per the Companies Act also. At what stage we can give dividend, may be not this year, may be in the coming one or two years, you will have some good news and whenever any dividend is declared, certainly we will come back to you, rather will be approved by the shareholders only depending on the distributable profit, so we will certainly come back.

Moderator: Thank you. The next question is from the line of Mr. Ramesh Kasbekar, Individual Investor. Please go ahead.

Ramesh Kasbekar: Suri sir, this is a follow-up thing, you said you have separate field force divisions for diagnostic OTC and branded formulation. I don't know whether it will make sense to combine the diagnostic and OTC divisions because they are mainly retail and distribution based kind of products which are handled. Even formulations, they can have reach where they do this retail chemist prescription orders and reject lot many distributors, stockists and retailers, so I am suggesting this because you have only a very small division of 140 people you said in formulations which is really inadequate and if you are going for cardiac and diabetic products in formulation division, these are highly specialized, many of the big pharmaceutical companies have a kind of monopoly and I believe being in pharmaceuticals what kind of practices go on in cardiac and diabetic product unless you are going to low end products which are now taken up by general practitioners. There are companies which cater to the GP segment in cardiac and diabetic which are very low end and in fact like Atorvastatin and most of the first generation bulk drugs in cardiac and diabetic. So that really needs a very deep thinking because I believe if you want to expand the OTC and diagnostic division then you have to have very large penetration in the market with chemist and with various stockist organization, so having separate, I do not know whether they will be able to achieve that kind of penetration, so just your views on this, please?

Sushil Suri: Yes Rameshji, as we talked earlier that we are separate team and certainly the separate team objective was to focus that in case there are separate distributors because of the market when you talk of distributor and stockist, there are separate distributors. There are some guys who do diagnostics, they do not do finished dosages and people who do formulation they do not do so called OTC. Basically, the market has got segmentation. If market is segmented, so we can have same team because we want to have close relationship of the team with the distributor and of course with the end customer, so the pharma guy and the formulation guys, their focus is in the doctors, so they visit the chemist very I would say not very regularly, but their focus is in the doctors. And for the OTC guy, their focus is in the chemist and sometime retail and may be sometime Paan wala shop, where the OTC guys will be there, but diagnostic devices hugely in every market, only

A category guys keep the diagnostic devices. Small chemist does not keep diagnostic devices because of the value and they have single order quality for any diagnostic will be say, Rs. 5000-Rs. 10000, so that smaller chemist don't keep that. So basically the number of retailers and number of distributors who keep diagnostic devices is different than the finished dosage and then the OTC, but you are right. So at some stage when we have critical mass, we will see, we will certainly evaluate this and particularly our point that competition is very high in cardiac and diabetic segment and the big guys do not allow entry of small new company. So naturally, we try to manage for ourselves, we do not go to as you see A market or we do not go to the big cities and metros, we go to tier 2, tier 3 cities, wherein we can get access and there are places where Morepen name is much better known and we get good traction. So that way we are still growing.

Moderator: Thank you very much. That was the last question of this conference. I now hand the conference over to Mr. Vastupal Shah for closing comments.

Vastupal Shah: Thank you everyone for joining the conference call of Morepen Laboratories Limited. If you have any queries, you can write us at vastupal@kirinadvisors.com and once more many thanks to everyone for joining the conference. Thank you Suri sir.

Sushil Suri: Thank you Ji. Thank you very much. Thank you all the shareholders. Good luck, have a good day and please stay home, stay safe. We have enemy standing outside. Thank you guys.

Moderator: Thank you very much sir. On behalf of Kirin Advisors, we conclude this conference. Thank you for joining us and you may now disconnect your lines.