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"Beta Drugs Limited Q4 Earnings Conference Call"

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MODERATOR:	**MS. RENUKA – PHILLIPCAPITAL (INDIA) PVT. LTD.**

Moderator: Ladies and gentlemen, good day and welcome to H2 FY24 Earnings Conference Call of Beta Drugs Limited, hosted by PhillipCapital India, PCGS.

As a reminder, all 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 the "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Renuka from PhillipCapital (India) Pvt. Ltd. Thank you, and over to you, ma'am.

Renuka: Thank you, Steve. Good afternoon, everyone. On behalf of PhillipCapital Private Client Group, I welcome all of you to the H2 FY24 Earnings Conference Call of Beta Drugs Limited. Today, from the management, we have Mr. Rahul Batra – Chairman and MD; Mr. Nipun Arora – CFO; and Mr. Ashutosh Shukla, Director of Sales and Marketing.

I now hand over the conference to Mr. Rahul ji for his opening remarks, and then we will open the floor for Q&A. Over to you, sir.

Rahul Batra: Thank you so much. Good afternoon, everyone. Welcome to our Earnings Call for FY '23-24.

Let me take you to a brief what we did last year:

The total sales of the company were at Rs. 296 crores as compared to Rs. 227 crores in FY 22-23. The consolidated EBITDA was at Rs. 61.5 crores as compared to Rs. 53.88 crores in FY 22-23. The net profit also increased from Rs. 30.7 crores to Rs. 36.4 crores. Although seen a decline in the EBITDA margins, the financial outcome in terms of EBITDA percentage decline is only due to the fact that there had been a high raw material cost of platins, which has accounted to almost 15%-17% of the total sales.

Platins, as we all know, are a derivative of platinum and gold price. Also, due to the fact that our new cosmetology division has posted a net EBITDA negative of above Rs. 4 crores last year. The total standalone oncology EBITDA excluding cosmetology loss is at Rs. 65.4 crores, which is close to 22.8%. Going ahead with the strategy, we are more focusing on the rest of the products rather focusing on platins and ensuring to bring back EBITDA margins between 24%-26% for this financial year 24-25. I would like to address personally today that our cosmetology division has given a sales of more than Rs. 1 crore and is marginally profitable. The same trend will continue this year and we will achieve a minimum sale of Rs. 14 crores to Rs. 15 crores for FY 24-25. In this journey, we will be in a position to create new brands what we created in oncology in the coming 4-5 years down the line.

Now, I will take you to the key highlights for FY '23-24:

- This year was a very, very exciting year for us. Recently, we had an audit from Eurasia. Eurasia is an audit which covers Russia, Armenia, Belarus, Georgia and Kazakhstan. This was one of the toughest audits we faced after ANVISA. We are proud to say that we have cleared the audit and we have got our registration certificate from Eurasia.
- The second key highlight and the starting point was that we have started our first ever cytotoxic suspension facility. This is the first ever facility in Asia, Africa, Europe. We have also introduced in this facility the first suspension that is megestrol acetate suspension in the domestic market. This product has got increased excitement in terms of doctors, and we have gained a respective market share in megestrol acetate. Not only this, bringing the NDDS to the market has increased the market size for this particular product. In this particular year, we have also filed 6 more approvals in suspension and syrup segment. We hope to launch these products this year provided we get the approvals in time from DCGI. Going to the export highlight, we have got 53 new registrations last year for which the business will start coming from this year. As you have seen, the growth in the export market is on a higher side. This is only because of the new registrations which we have received. We have launched cosmetology PAN India with a field force of more than 100 people catering to almost close to 6,800 doctors. This was the key highlights.

Now coming on to the segment-wise business and way ahead. Let's start with the most important segment, that is the own brand:

Last year, we increased our sale by 27% and this has primarily been focused with the launch of 7 new products, mostly out of which 2 or 3 products were in the last quarter. This will further increase the sales and will become a trusted brand in the coming years. Our key focus area was to bridge the gap between orals and injectable business. Earlier, this figure was 61 by 39, but this year, especially in FY23-24, we have bridged the gap between injectable and oral business to 43 to 57.

We have also strengthened our hematologic portfolio by adding 2 more products last year. This will continue building as a huge scope lies in the hematology segment. Out of both the segments, if we talk about the solid tumors and the hematology, the scope and the future lie in the hematology segment.

On the future roadmap, we have also identified the targeted markets, which will drive our sustainable growth for the coming years. This has already been shared in the presentations which we have uploaded last evening.

Coming on to international business:

As discussed in our last calls, a huge upside potential lies in the export market. Last year, we further added one more approval, that is Eurasia, which was one of the toughest we faced. As discussed earlier, we have got 53 new registrations for which the business has already started coming and will be in a free flow for the next coming year. Going ahead, in the international market, we have already applied 350 plus registrations which are in pipeline, which might get approvals in the coming 2 years down the line.

Looking at the future of the export market:

There is a huge scope and a huge gap for us to cater particularly the regulated and semi-regulated markets. As discussed in our last call for the EU GMP, we have got the confirmation that the audit is going to happen in September, which will further add a lot of sales and international collaboration as we see that there are not many generic regulated approved cytotoxic plants available in the Indian market. India, being the generic pharmacy of the world and catering to almost around 70% to 80% of the formulation requirement of the world, so cytotoxic is one of the key catch for all the regulated markets.

Coming on to our CDMO business:

In the CDMO business, last year we have shown a big growth as we have added 3 more new clients in our portfolio. There, some existing clients have added around 7 to 8 new products, and we have added 3 new clients which have delivered a huge upside in our CDMO business. Going ahead in the CDMO space, we will continue growing and keep on adding the new products to provide best and the most innovative and qualitative products to our partners.

Coming to our third segment:

That is our API. The API business last year has grown by 30 percent. We have also hired one of the best teams in terms of production, quality assurance, quality control and regulatory. As on today, we have 3 different lines for different capacities. As we are in the cytotoxic markets, we all understand the requirement might be for 1 kg or 10 kg or even in grams. So, as on today, we have 3 separate lines to meet these different requirements.

Last year particularly, we had been focusing more on the quality aspects in the vision to make API business at par with our formulation business. The key highlights of API, we have developed and launched seven new products last year. We have also prepared 6 BMS which we are filing in the Brazil market in next month. We have also centered our R&D department by hiring more professionals and more competent people. Also, to start with, we have started a very small amount of exports in the API business.

Coming on to the most important and all the cosmetology segment:

Last year was a bit of learning and hiring year. As you all are aware that a brand can be created if you have the right team and at the right place along with the great direction. Last year, we did exactly the same and as discussed earlier, we are happy to announce that we have achieved Rs. 1 crore sales in April, which is the minimum benchmarking for FY24-25. We aim to do plus of Rs. 14 crore sales this year, which will certainly add profitability to Beta. Our division name for cosmetology is Inspira, which actually inspires us to put more effort in creating a brand. FY23, we have added a respectable number of prescribers and put our reach to more than 6,000 customers in India. Slowly and gradually, this will emerge as strong brands and in the coming future, as we have already planned to come up with our own manufacturing unit by FY25-26. Today, the total number of SKUs are close to 14. We intend to increase the number of SKUs by 30 to 35 by the end of this FY24-25. Having our own manufacturing facility for derma and cosmetology will strengthen and create a more market for our current team.

I would like to conclude by saying that we have done the best till now and we have also laid different strategies to make Beta the most profitable company in the coming years. This will definitely be backed by strong and robust research and development in both API and formulations, which will give us an edge in the market.

I would end by saying, when we are in a journey, the speed breakers will come, but after speed breakers, there is always a smooth ride. Thank you and we welcome all the questions.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Deepesh Gandhi, an individual investor. Please go ahead.

Deepesh Gandhi: So, first of all, congratulations on delivering a set of numbers that we are definitely proud of. So, I would like to go first with the first question. So Tata Memorial has initiated a movement wherein it is going to buy bulk cancer drugs for almost all hospitals. Any idea how it may affect our company's sales or forecast going ahead?

Rahul Batra: Yes. For this question, I will ask Ashutosh ji to answer, please.

Ashutosh Shukla: Yes. So, Tata Memorial Hospital is the biggest hospital in the country. Yes, they are going for bulk purchases, but this is not going to hamper our trade business. As such, our business as of now in Tata Hospital is zero. And basically, we are very strong in corporate and private hospitals. So, that is not going to affect us. Because not only the Tata, even the state government hospitals, they go for the bulk purchase. And as far as tenders are concerned, we are going to participate and definitely, if they are going for bulk purchase, definitely we will participate and we will also get the share of it. So at the end of the day, it is going to benefit the company. We, being the manufacturer, definitely will participate very aggressively.

Deepesh Gandhi: I'm assuming our cost would be at a bare minimum and they'll definitely consider, yes. So, second question if I may ask. What are the capacity utilizations as on date? And what are our plans for getting listed on the Mainboard?

Rahul Batra: So, the capacity utilization as on date for Beta Drugs is close to around 60%. For Adley formulation, we have added one more injectable line last year. And currently it's at 40% to 60%. And again, migrating on to the Mainboard, we have already initiated the process. Maybe next 2 to 3 months, we will be migrating on to the Mainboard. Before our first quarter ended, we will try to be on the Mainboard before our first quarter ends.

Deepesh Gandhi: Thank you so much. Thank you so much, Rahul. And once again, congratulations for the set of numbers and the kind of growth that you are providing.

Moderator: The next question is from the line of Chirag Jain from Yogya Capital. Please go ahead.

Chirag Jain: Sir, I was trying to go through your business. It has multiple complexities, which I couldn't understand. So, please, could you give a brief about your business before moving ahead?

Rahul Batra: See, business, we have 4 verticals. And one is our own brand, one is our CDMO, one is our export and one is API. So, this is the current export verticals, or this is the current verticals we have. So, we have a dedicated team for our own brands, and we have a dedicated team for exports. We have a dedicated team for API business. We have a dedicated team for our CDMO business. So, the CDMO business is being taken care by around a team of 7 people. Our own brand, we have a team of around 67 people. And export, we have a team of around 4 people. And all this is being headed by Mr. Ashutosh, who is our Director of Sales and Marketing. Then API business as particularly on the sales side, it is looked upon by a team of 2 people.

Chirag Jain: Sir, you mentioned that export is currently very low. So, what the range would be? Can you give us a range?

Rahul Batra: Export, we did a top line of close to Rs. 46 crores this year.

Chirag Jain: Rs. 46 crore, okay. Sir, can you repeat the revenue guidance that you gave for FY25?

Rahul Batra: Sorry, for FY24, right? The top line you are asking for FY25.

Chirag Jain: Yes.

Rahul Batra: We will keep on growing at the same rate at what we mentioned in our earlier call, that will be 25% to 30%.

Chirag Jain: Also, sir, your PPT mentions about competitive intensity increasing in the market. So, could you highlight something on that?

Rahul Batra: No, we never mentioned the competitive increase in the market. Rather, we just mentioned our presence, our focused areas. So, the competition is there in the market, it's for every business, right? But since we are the one only focused oncology company, we have certain special advantages. It is not only about the formulation, since we are backwardly integrated, that gives us an edge. And not only this, in certain products, we are the first one to launch in the Indian market. Last year, there was one product which became off patent, that was Olaparib. So, we have taken a huge market share once we launched that product, as we were the first one to launch that. So, this is the same strategy. The products which are becoming off patent, we have a list of products, we already developed that, there are certain products we will be launching this year also, and we will be taking that advantage.

Moderator: The next question is from the line of Bhagwan Chaudhary from Subh Capital. Please go ahead.

Bhagwan Chaudhary: Congratulations for a very good set of top line growth for the consistency in the revenue growth and numbers across. Just 2 questions from my side. One is on the cosmetic side, what are the unit dynamics right now? I mean if you can just explain the kind of fixed costs associated with it currently and what are our gross margin in this business?

Rahul Batra: I will ask Nipun to push in that because he'll be having more control on the numbers. Nipun, can you just brief that? But the margins, I will explain you. The margins, the total gross margins which we are getting in this division is close to 65%. And Nipun, can you just give a brief about the cost, please?

Nipun Arora: So, hi, Mr. Bhagwan. As Rahul ji said, the margins are close to 65%, rather 65% to 66%. The other fixed costs associated with this is somewhere around Rs. 70 lakhs per month.

Bhagwan Chaudhary: And this is associated with your employee cost and the marketing cost?

Rahul Batra: See, I will just explain you. It's mainly the employee cost because earlier, as FY 22-23, we had a team of only 42 people. But now, as on today, we have a team of more than 100 people. So, this is totally in line with the employee cost. And see, if we are in a process to make a brand, first, the most important thing for any pharma company is to avoid attrition. And in the last 4 to 6 months, preferentially, we have avoided attrition. And the people are constantly going to the market and representing the same company always to the same doctors. So, this has added, particularly, this cost will remain the same. And once the number will increase, we will see the profitability coming to this division as well.

Bhagwan Chaudhary: Secondly, if you can highlight that do you have any CAPEX plan in the long term, in the next 2 to 3 years, any big CAPEX plan?

Rahul Batra: So, the first and foremost CAPEX plan we have is that we have to come up with a cosmetology plant, which will be initiated by 25-26. We will come up with the production of that. As you know that pharma, particularly in cosmetology side, if you go to a doctor or you go to any market, you have to have a number of SKUs in your basket. So, today we are operating with only 14 SKUs. So, we want to increase the number of SKUs to 40-50. And this can only happen if we have our own manufacturing unit. We will go through the first quarter. So, once we are sustainable and we are creating margins out of it, and as we have done in April, we will be going out for other capacity expansion in dermatology side. Then second, we do right now, till the sales of Rs. 500 crores for oncology side, we don't need any further expansions or any other further capacity expansion for this. The only investment we will be doing in acquiring the MAs once we are through with our EU GMP audit. So, we will not be following up the process of registering the product, rather we will be buying the MA and launching the same product in a lesser time as we go all out for the dosage registration. So, these are the 2 CAPEX areas. One is acquiring the MAs and the second is coming up with our own manufacturing site for dermatology and cosmetology.

Bhagwan Chaudhary: And what can be the size of that CAPEX for cosmetology?

Rahul Batra: For cosmetology, it will be close to around Rs. 30 crores to Rs. 35 crores.

Moderator: The next question is from the line of Santosh from Investment Handle. Please go ahead.

Santosh: Thank you for the opportunity and congratulations on delivering consistent numbers year over year. The question is regarding the raw material, as you mentioned, the margins have gone down a little bit because of the increase in the prices of platins. So, do you like procure raw materials from other countries like China also or is it like in-house manufacturing?

Rahul Batra: So, platin is basically one product line which we cannot manufacture in-house. Today, 70% of our APIs are being produced by ourselves only, which we are backwardly integrated. But as you know, pharma is so big, even cytotoxics are so big that you cannot manufacture everything in-house. So, platins we source from outside. And there are only two companies in India right now who are manufacturing this. One is Hetero Healthcare, one is Fresenius Kabi. So, we are procuring from them. And see, it's not like we have seen that because if we go for a chemotherapy treatment, carboplatin and cisplatin is the basic treatment. And tomorrow we are joining, we are becoming a partner with any good CDMO player. So, the first product they will ask for is carboplatin only. But last 3 months, fortunately last 3 months, we have seen the prices have declined and we will be more focusing ourselves towards on the other product line rather on the platin side. Other products, there has been no cost increase. Rather, we have negotiated well from our KSM suppliers, and the API costs have decreased. So, if you go on an individual balance sheet also, Adley Lab margin has also increased. So, this is one turning point and we, as a company, have laid down a strategy to focus more on the oral side. So, that's why on my initial talk, I discussed shifting our focus from injectable to oral side because prescription business is always a long-term business.

Santosh: And on the cosmetology side, who are your competitors, sir?

Rahul Batra: Cosmetology, there are a lot of companies in India. Glenmark is there. Mankind is there. Then Hegde & Hegde is there. Then Curatio is there. And there are a lot of companies. Actually, this is one segment which has been identical to oncology only because you are not making product available in the chemist. Every cosmetologist has their own chemist counters. So, it is one segment which has actually been replicated by the oncology side. So, that's why we are focused on this segment only.

Moderator: The next question is from the line of Chirag Fialoke from Ratna Traya Capital. Please go ahead.

Chirag Fialoke: Thank you so much for the opportunity and congratulations on the great set of numbers. Could you please share the individual half yearly numbers for the four segments?

Rahul Batra: Nipun, can you share the half yearly numbers, the top line and EBITDA margins?

Nipun Arora: So, the top line would be, for the second half you want to know. The branded sales would be Rs. 41.5 crores, CMO business is Rs. 68 crores, export business is Rs. 30 crores, API is Rs. 11.7 crores and the Derma is Rs. 3.3 crores, so total comes to Rs. 154.44 crores.

Chirag Fialoke: Perfect. Understood, sir. This is super helpful. Just 2 questions on the margin side. The gross margin you explained that largely the decline is dead because of the purchase of platins. Is that correct or could you quantify that a little bit? You said 15% of top line, could you just help us understand what that impact was for this quarter?

Nipun Arora: See, Chirag, the gross margin, if I say, it is witnessing a decline of 4%. Leave the manufacturing expense aside, the gross margin earlier was 53% and now it is 49%. So, there is a decline of 4% and as Rahul ji has said that platins constitute somewhere around 16% to 17% of the total sales of our group. So, that has impacted a lot, but if you see the EBITDA margin, if I consider the EBITDA margin with and without Derma, so EBITDA margin is, I will say that it was 25% in the last year, I mean FY23 vis-a-vis 22.6% into ‘24, so that means a decline of only 2.4% compared to the 4% decline in GP margins. So, somewhere we have controlled the below expenses also after the GP thing, somewhere around 1%.

Chirag Fialoke: Very clear. Just to follow up on the margins, the other expenses, Rs. 27 crores in the first half going to Rs. 33 crores, are there any changes there or is this just now or more run rate sort of a number? Other expenses other than employee after gross profit, that has seen a little bit of an increase.

Nipun Arora: But that increase percentage wise is not a much increase. Percentage wise, that is declining.

Chirag Fialoke: Just one question. Rahul, to your previous response, the Rs. 25 crores, Rs. 30 crores of CAPEX, could you just outline that in terms of both timeline and in terms of what capacity would that entail for the oncology business?

Rahul Batra: See, the CAPEX which we discussed was mainly for the cosmetology plant and the timeline is by FY26, we should start the plant. And regarding the CAPEX of around Rs. 7 crores to Rs. 8 crores or Rs. 10 crores, that's an asset purchase that is called marketing authorization, product-wide marketing authorization. Once we are through with the Europe approval, so we will be immediately going towards an acquisition of MA approvals. So, this is the main CAPEX required. It is not in terms of machinery, rather it is in terms of those bought from the market, particularly available in that market, so that we can immediately go and start the sales, which is a process of 3 to 4 years for registration.

Chirag Fialoke: Understood. Perfect. This is really helpful. Thank you so much. Congratulations on a good set of numbers.

Moderator: The next question is from the line of Agam Shah, an individual investor. Please go ahead.

Agam Shah: I think I missed your part saying that. So, when are we planning to Mainboard?

Rahul Batra: In the next 2 months.

Agam Shah: In the next two months?

Rahul Batra: Yes. We've already started the process. In the next 2 months, we will be migrating to the Mainboard.

Agam Shah: And my second question was, how much is the CAPEX we are planning for each division and combined, if you can say?

Rahul Batra: The total CAPEX we are planning is close to around Rs. 30 crores to Rs. 35 crores for next 2 years, but that will be all from the internal cash accruals.

Agam Shah: Rs. 30 crores to Rs. 35 crores. This will include oncology, dermatology, cosmetics, everything, right?

Rahul Batra: Yes.

Agam Shah: And so we are through to reach our target of Rs. 450, Rs. 500 crores. For that, we don't require any funds or anything?

Rahul Batra: No. But tomorrow, if we get an opportunity to have some JV with a good biotech facility, since today we have a presence, I will explain you. Today, there are 23,000 oncologists and we are covering around 2,400 oncologists, 2,500 oncologists, out of which 1,800 oncologists are prescribers. So, we have a huge market presence today. Even some oncology is prescribing only one product or half a product or giving only two prescriptions in a month, but they are our prescribers. So, if we get an opportunity to get into the biosimilar in a JV with someone where they want to launch the product in India or anyone is developing those or they want some investment on the part of that, so we will be going ahead with that decision as well.

Agam Shah: So, you said biosimilar, right?

Rahul Batra: Yes.

Agam Shah: So, are we actively looking at that space now?

Rahul Batra: See, we are not looking actively, but it's not passive also. So, we have spoken to certain people in case any opportunity comes. So, we don't mind considering that opportunity.

Agam Shah: So, you'll be more of a CDMO player, CMO player or how is it?

Rahul Batra: No, we will be landing mainly our own brands.

Agam Shah: Own brands?

Rahul Batra: Yes.

Agam Shah: Through direct.

Rahul Batra: Yes, through direct sales.

Agam Shah: Direct sales, okay. And in terms of product launch in terms of dermatology and cosmetics, can you talk on that? So, how many products are we planning to launch?

Rahul Batra: Ashutosh ji, can you give a brief about that?

Ashutosh Shukla: Product launch as of now, this financial year, just recently we have launched 5 products and basically into hair care, then into psoriasis, skin brightening, and so more into cosmetology. So, first of all, we would like to build up these brands because we have seen good success in the hair care segment, in sunscreen, in moisturizer. So, we want to build up these brands first and then we will look into the other brands.

Moderator: Does that answer your question, Mr. Agam?

Agam Shah: Yes. Thank you.

Moderator: The next question is from the line of Sanjay Shah from KSA Securities. Please go ahead.

Sanjay Shah: Thanks for the opportunity. Thanks for explaining the detail about the complexity of the business. Still, we are not sure of 100% understanding. For that, we may need your personal appointment also. So, my question was regarding last time you highlighted about your increased presence in Tier-1 and Tier-2 cities and also international expansion in Brazil, Latin America, CIS. Can you highlight upon that? What's the progress on that side?

Rahul Batra: So, Ashutosh ji, you give a brief about the Tier-1, Tier-2, Tier-3 cities, and I will take up the export part.

Ashutosh Shukla: So, Tier-2 and Tier-3, we have now recruited people in the last quarter of the financial year. So, basically, headquarters like Mangalore, Coimbatore, Raipur. So, these are the small towns, so we have recruited people and we have started. Like now we are witnessing sales generation from those headquarters. And prior to that also, we started a few headquarters wherein we reap good benefits out of it. So, this is a continuous process, and we are going to continue going aggressively in Tier-2 and Tier-3 cities apart from Tier-1.

Rahul Batra: Regarding exports, yes, we have started filing dossiers in these countries. In Colombia, we've already filed around 10 to 12 dossiers. In Mexico also, we have started filing dossiers. We have given around 24 dossiers. And this month only, we are traveling to this part of the continent, and we are taking an update from all our partners. In Brazil also, we have filed around 6 dossiers, and again, we are traveling there, so we will be having feedback from them when we are getting the registrations. Apart from these, we've already got 5 registrations in Peru. We have done business last year and we've got business this year as well, business estimate this year as well. We have also got some few registrations in Guatemala, in Ecuador, and in Nicaragua as well.

Sanjay Shah: Any plan to enter regulated market like the US and UK?

Rahul Batra: Yes. So, first, we have planned to enter the Europe market where we have an audit planned in September. See, we have to go step by step. But recently, we have got the Beta plant audited by a US FDA regulator. So, he was in opinion that you can go for a US FDA audit immediately, but we are not in a hurry as we first want to establish ourselves towards in the Asian market, like specifically Southeast Asian market, Latin America market, and then there on move towards the

Europe market. After that, definitely, we do have plans to enter US market in 3 years down the line.

Sanjay Shah: That's great. Sir, my last question was regarding our API. What's the percentage of total right now we have reached in API? And what's the target to reach in the next 2 or 3 years?

Rahul Batra: See, the number of products we are manufacturing API, almost 70% of the API consumed by Beta and Adley is produced by our backwardly integrated only and the remaining whatever new developments or new product which we are going to launch in the Indian market, especially the PARP inhibitors. So, those products will be developed in our API plant and will be delivered to our formulations plant so that we can be the first one to launch those products in the Indian market.

Sanjay Shah: Can you highlight what's the opportunity of that product?

Rahul Batra: The opportunity, see, these are mainly the off-patent kind of drugs. Each product has a good market size and on specific indications. So, that depends on the product-to-product price. Then secondly, we are also in the process to develop 2 or 3 products, which will be like first time in the Indian market. And out of those 2, 3 products, we have developed 2 products. One product is under development. But again, it's not about the launching, the launching is through the formulations only. And the whole procedure is to take an approval from DCGI, conduct and buy equivalents, so that the total procedure, the total timeline takes about 12 to 18 months in the current scenario. But as you said, the opportunity is huge. That's why we have selected these products and we are working on these items.

Sanjay Shah: So, what's the R&D team?

Rahul Batra: R&D team in API, we have close to around 6 people. And in formulation F&D, we have around 7 people. The total team stands out to be 13 people.

Sanjay Shah: 13 people. Right, sir. Thank you, sir. Thank you for answering my questions and good luck to you.

Moderator: The next question is from the line of Pratik Chheda from Guardian Capital Partners. Please go ahead.

Pratik Chheda: Thanks for taking my question and congratulations for a very good set of numbers. I have a couple of questions, first on the margin side and then the only export side, right. Sir, on the margin side, as you mentioned, platin forms 16% to 17% of your total sales and the prices have sort of affected the margins in a way. Is there any other product which forms a sizable component of your raw material basket and that which can be easily sort of tracked externally as well? And the second question on the exports is, right now we are at Rs. 46 crores of exports on almost a

Rs. 295 crore base, which forms approximately 15% of your revenue. And I think there's a lot of effort being put in across the globe in terms of new registrations and new dossiers. So, can I get a 3-year view, three years out, where are you looking at exports as a percentage of your total sales, assuming you are guiding a 25% sales growth? And what is the margin in the export business? Is it better than the domestic formulation or is it pretty much where the domestic business is?

Rahul Batra: All right. There are too many things you've asked in 1 line. So, let me just cast right from the beginning. So, let's talk about first, the margin side, right, regarding the platins. So, first of all, we evaluate per product wise profitability every month. Secondly, platins have become an important part of chemotherapy treatment. So, we cannot ignore these. Number second. Number third is, yes, of course, there are certain areas where we have already strategized ourselves that we will be focusing more on these products, especially for the own brand thing, so that the profitability can be increased. Yes, because this particular year will be having 6 new NDDS launched. We are expecting the approvals between October and March. So, those 6 new NDDS, new drug delivery system, will be the first time in India. This will definitely increase the margins.

Then coming on to the export side. Yes, we have a very dedicated regulatory team. We have around 14 people working on the regulatory side. So, we are filing our dossiers regularly. Yes, in markets like Colombia, like Mexico, like Brazil, and like Southeast Asia, the margins are pretty high as compared to the other non-regulated markets, like Africa. So, we have put our focus on these markets, and definitely you'll see a huge upside in the next 2 to 3 years down the line, where export revenue will increase, and the margins will substantially increase. And the target, what we aim in the future, is that exports should contribute around 35% of the total business volume.

Pratik Chheda: Yes, that's pretty healthy, sir. Thank you. I will join back in the queue.

Moderator: The next question is from the line of Piyush Jain, an individual investor. Please go ahead.

Piyush Jain: Yes, thank you for the opportunity. I just want to understand the whole concept of your getting into this cosmetics business. Because what I understood is you said that in April, we crossed the Rs. 1 crore sales. So, maybe this year, maybe we will be doing around Rs. 15 odd crores, or maybe 12 crores to Rs. 15 crores. So, what is the scalability and aspiration of the management of this business? Because your existing business of oncology and everything, we are at the run rate of around Rs. 300 crores, and which we expect to be in the next 2 years, we will be around some Rs. 450 crores to Rs. 500 crores. So, this business will remain a smaller portion of the overall scheme of things, or this business has a size and scalability to become Rs. 100 crores in the next 2 to 3 years, or what is the guidance or view here?

Rahul Batra: See, cosmetology business is one of the very unique businesses in the Indian market. Today, we are a population of 150 odd crores, out of which, as the economy is increasing, everyone has a paying capacity today. And most importantly, if you have any skin irritation or something, you go to a cosmetologist or to a dermatologist, so they have their own pharmacies. So, this was my initial talk always that this division comes in line as per the oncology sales only. The process is absolutely the same. In oncology, we only have to deliver the product from a stockist to a patient. It's the same. If you are going to meet a customer, when he's our doctor, he's the only customer who's going to buy the product. So, this is how the scenario runs. Then if we see one more thing, if we see the math across all the segments in India, as per April is concerned, the highest CAGR is neoplastic, of course, the oncology, and the second highest CAGR, the growth is in the derma segment only, because everyone wants to look good, everyone wants to have a better product. There are problems with the hair right now. So, the one division we have captured right now is more on the hair side, not on the beauty side. So, this is as Ashutosh ji just said, so our focus is towards the hair, which not every company has focused in India. And looking out to the future, a Rs. 450 crores, Rs. 500 odd crores of top line, yes, dermatology or cosmetology will contribute close to around Rs. 30 crores, Rs. 40 odd crore business in that.

Piyush Jain: So, what will be the profitability you achieve when you reach Rs. 30 crores to Rs. 40 crores of business? And second thing, this will also be a doctor-prescribed way of sell?

Rahul Batra: This is totally doctor-prescribing business. This is a totally ethical business, which we are doing. We have a team force of 100 people, whom they are visiting each individual doctors. And then once the doctor approved the product, then that product is being prescribed by a doctor to a patient. So, this is the same way each and every, like even a cardiology or endocrinology work is the same segment like which cosmetology and dermatology works.

Piyush Jain: Then there is so much of competition there. There is a Glenmark, there is a mankind, there is a Dr. Reddy, and so many other unknown startup type of companies, which have come with so many derma products and all.

Rahul Batra: If the market is huge, if the market is increasing, there is competition in everything, right? You have to create your own space. We have delivered in the past as well how to create a brand. We have created a brand in oncology. So, we know the process and we are in a process to create a brand in dermatology as well. Next 4-5 years, when you see the figures, there will be a substantial figure in the cosmetology segment also. And the cosmetology brand is one brand, which will grow continuously. Supposing, let's take an example of sunscreen. Today, doctors are prescribing one sunscreen. That becomes a brand, a word of mouth. So, one person is using will tell to some other person, will tell to some other person. So, this way, these brands are created. And we know how to create that, and we are aggressively working on the same so that this portfolio, this segment which we have chosen and we are working aggressively, this segment we have chosen should represent, yes, BDL has 2 separate segments. One is oncology and the second is cosmetology.

Piyush Jain: And the margin will remain the same? Similar line of what BDL right now is doing?

Rahul Batra: Yes, yes, 100%. Yes, yes, yes. The margin will be at the same line as we consider in the oncology segment.

Piyush Jain: Okay. I have just one last thing. And why I am asking this for competition, and you said, yes, I know Beta has developed and you have all the competence. Because in the past, if I remember correctly, Glenmark has sold its derma division too and Eris Life Sciences has bought it. And I saw that growth number of something last 4-5 years, the segment hasn't grown. I don't know about whether this is related to hair or this is related to skin or something. But what I am trying to understand here is size of the company of the Glenmark and Eris Life Sciences, they are also struggling in the growth of the segment. I don't know what's the reason, that's what I am trying to understand.

Rahul Batra: See, every company has their focused areas, right? And may be Glenmark has some other focused area which the other companies don't have. May be just now Torrent bought Curatio, right? And why they bought because they want to develop, and they see the upside potential in the dermatology and cosmetology market. There are small, small companies which are doing a sale of around Rs. 50 crores, Rs. 100 crores odd and they have created a brand today. If you go to a cosmetologist, you will come to know, if he prescribes one brand, that this is also prevalent in the market. So, it depends on the company's strategy, it depends on the individual company, how they are marketing and what focus they want to put on. Glenmark's strategy has always been on the antiretroviral, so that side mainly concentrated on the regulated market side. So, may be they have shifted their focus, and they just want to concentrate on that. I cannot comment on the same. But what we see ourselves, we have already designed a strategy to make it a good brand.

Moderator: Sorry to interrupt, sir. I would request Mr. Piyush to please follow up in the question queue for further questions. The next question is from the line of Sunny, an individual investor. Please go ahead.

Sunny: If you can just again give a breakup of your entire sales of Rs. 154 crores among the 4 divisions.

Rahul Batra: You want the breakup of the entire year, right?

Sunny: Of the entire year, right?

Rahul Batra: Okay. So, Nipun ji, can you give the breakup, please?

Nipun Arora: Yes. Mr. Sunny, the breakup is branded sales Rs. 82 crores, CMO Rs. 140 crores, exports Rs. 46 crores.

Rahul Batra: No, Nipun, branded is Rs. 89 crores.

Nipun Arora: Sir, including Derma?

Rahul Batra: Yes. Derma is separate. All right. You give, please. Maybe I hadn't put this.

Nipun Arora: Yes. So, API Rs. 21 crores, exports Rs. 46 crores, derma Rs. 6.83 crores.

Sunny: So, the branded total including Derma is Rs. 89 crores.

Nipun Arora: Yes. Branded total including Derma is Rs. 89 crores.

Sunny: Okay. So, the margins are more or less similar in all the 4 businesses or is it more in the branded sales?

Nipun Arora: See, branded sales always have more margin. It is somewhere around 33% to 36%, which branded has. 28% to 32% is exports margin. 15% to 17% is CMO margin. API, we have a standalone balance sheet. So, it shows me the correct margin automatically. So, that is somewhere around 22% to 23%. And Derma, we have already told you that 65% is the gross profit. And we have witnessed an EBITDA loss of Rs. 4 crores in Derma division.

Sunny: Right, sir. and sir, lastly, we are moving to the NSE Mainboard around June, you said June 2024.

Rahul Batra: Yes, June or July, it is in process. So, we've already initiated the process. Maybe another two months, we will be on the Mainboard.

Sunny: Okay, sir. That's it. All the best to you, sir. Thank you.

Moderator: The next question is from the line of Chirag Jain from Yogya Capital. Please go ahead.

Chirag Jain: Thanks for the opportunity, sir, for the follow-up. Sir, I had a question regarding first on the molecules that we were discussing about. You mentioned some molecule you were the first one to launch. So, what was the actual size in India before you launched? And what was the size price erosion after you launched? That was the first part.

Rahul Batra: So, I will tell you. In oncology, if an innovator launches a product or any life-saving drugs, the market size is huge. But once other branded product launch, after it becomes off-patent, the market size is definitely reduced by 1/8. But the thing is that there are hardly any players to launch that product. So, that's a process. And mostly all the companies, we are the only manufacturer. So, we launch all together. And thereby, we become almost the first one to launch that. And we try to take the maximum market share out of it.

Chirag Jain: And as time progresses by, how much the erosion increases on average?

Rahul Batra: See, it's not about the market erosion, it's about the number of prescriptions or number of patients, the number of patients remains the same. The only difference becomes is the innovative, the price, the MRP difference, the price of the innovator and the price of like our generic branded. So, even though the erosion is there, but still, we try to make a GC in our own brands around close to 80%-85%.

Chirag Jain: That's high enough. Also, sir, there was a recent announcement dated 7th of December. It has mentioned CAPEX. It was the same that we are doing Rs. 35 crores in oncology?

Rahul Batra: No, no. That CAPEX, what we did was we came up with a separate line for syrups and suspensions. So, that announcement was that we have started the production of our suspension line in oncology only.

Moderator: Thank you, sir. I'm sorry to interrupt. The next question is from the line of Santosh from Investment Handle. Please go ahead.

Santosh: Sir, quick question regarding the migration. As you said, it's in process. Wanted to understand, to improve liquidity, are we planning to issue any bonus or split the shares?

Rahul Batra: Till now, we have not considered that. And since we are just focusing on the business side and splitting and all, we have never discussed, not even thought of. It's only right now just to focus on the business side and just to migrate on the Mainboard so that they can be listed on the Mainboard. The second is that just focus on the business, focus on the sales, focus on profitability. That's the only thing we are talking about.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's conference call. I would like to hand the conference over to the management for closing remarks.

Rahul Batra: Thank you. Thank you, Phillip Capital teams. And since it's a regular learning process for everyone, right, and we understand that we have achieved the top line and rather we have delivered the best, the commitment which we gave in our last call, we have delivered rather better performance than that one. So, we will keep on delivering good results for the coming 3 to 5 years down the line. And as an assurance, we will give the market the best qualitative and the most innovative products in terms of oncology is concerned. Thank you.

Moderator: On behalf of Phillip Capital (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.