"Beta Drugs Limited Business Update Conference Call"

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MODERATOR: **MR. APURVA SHAH – PHILLIP CAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Business Update Conference Call of Beta Drugs Limited, hosted by Phillip Capital PCG Desk.

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. Apurva Shah from Phillip Capital India Private Limited. Thank you. And over to you, sir.

Apurva Shah: Good evening, everyone. On behalf of Phillip Capital, I welcome all of you to the Business Update Conference Call of Beta Drug Limited.

From management we have:

Mr. Rahul Batra - Chairman and Managing Director

Mr. Nipun Arora – CFO

Mr. Ashutosh Shukla - Vice President

Mr. Gurvinder Bhullar – Strategic Advisor

I now hand over the line to Mr. Rahul Batra for his opening remarks, post it, we will open the floor for question and answer. So thank you very much Rahul ji for your time. And over to you, sir.

Rahul Batra: Good evening, everyone. First of all, we would like to apologize for the delayed call. Actually, it was supposed to be done in November, but we had plans to go to Uzbekistan to establish our marketing setup as all the approvals regarding tablets and injectables have been received there. Since the visas couldn't process, so we decided to organize it now before it gets further delayed.

I will start with some numbers overview. BDL consolidated revenue for the first six months of FY22 grew by 71% to Rs. 88.1 crores from Rs. 51.4 crores, compared to the same period a year ago. The growth was mainly driven by our own branded sales, which has increased up to 140%. The company has continued to expand its presence, almost all the corporate hospitals in India, and has also marked its presence in the remaining Tier-II and Tier-III city.

The CMO business grew up by 66%.The total consolidated EBITDA grew by 87% to Rs. 20.5 crores from Rs. 11 crores as compared to the last year. The EBITDA margin stood at 23.27% expanding up by 200 point basis. The margin expansion was mainly derived by the own branded sales. The net profit too increased by 127% to Rs. 11.75, crores as compared to Rs. 5.18 crores compared with the same period.

As for the guidance, management expect that we will be doing the better second half in the financial performance as compared to the first half. While the old brand sales and the exports will continue to grow healthy, the main focus on the second half will be for the API and exports.

Now, I will call up Ashutosh to take up the branded formulation sales for both domestic and exports. We will take you to the segment wise developments and we will start with our own branded formulations for both domestic and exports. Ashutoshji, to you now.

Ashutosh Shukla: Good evening everyone.I will be giving an overview of branded formulations business.I will start with domestic and then we will move to the international business.

Domestic Market:

We registered a healthy growth of 119% in H1 and expect a CAGR of 36% to 38% for the period 2019 to 2022.We are in a leadership position with couple of brands. And by the end of next financial year, we expect couple of more brands will come into the leadership position. This year, we have already introduced six new brands and expect to launch four more new brands by March 2022.

We also have developed NDDS formulation of Azacitidine injection. And we are the third company who is getting the license from DCGI to market this molecule in India. Most important thing is that the API is also developed in-house which is surely going to give us the cost advantage. Our strength lies in new product launch and that is going to continue to drive future growth for us.

International Market:

Currently we are supplying our brands to around 16 countries globally. We have hired a couple of DGMs from world class company and both these guys have a rich experience of more than 15 years in international market.

In last four months, we have targeted 22 additional countries and signed CDA with them. Our major thrust will continue to be in Latin America, CIS countries, Southeast Asia and African countries. We have triggered audit of PIC/S, ANVISA, INVIMA and COFEPRIS. Not only that, we are also working for MA acquisition from a European company so that we can trigger audit for EU GMP as well.

So, overall, we expect a very healthy growth coming in from 2023 onwards. However, till that time, we can still expect a growth of around 30% to 35%. Thank you very much.

Rahul Batra: So now I will take up for API and the CRAM business.

API:

So, the main focus of the company was always API. So, once we went into the backward integration, the whole idea was whatever sourcing of raw material which we used to do earlier so, we have to increase with a significant number of percentage as a backwardly integrated. There earlier in the last few years, we have seen that the total procurement from the subsidiary company were 45% to 50%, this has gradually increased to 60% now. So only platins we are not able to produce. So we are just sourcing from outside. Rest all the products we are trying to source from Adley Lab only.

So in Adley Lab since there was a constraint regarding the capacity, so we have added two more reactors, one is for 500 liter and the second is for 1600 liters. Since the number of products has been added to meet up the demand for both the subsidiary company and for domestic and exports, we have increased this capacity. And in addition to that, we have also upgraded our microbiology lab and QC so that we can easily trigger the EU audit. We are planning to file our first DMF by June 2022 as we said in the last call.

In addition to this we are also adding two glass line assemblies, which the work will be over by January 2022, like in two months from now, with a capacity of 200 liter, two reactors and 100 liter two reactors where this line will be totally focused only on the regulated markets. Already in this financial year, we have launched seven new APIs plus company is working very aggressively in launching another four APIs in the coming four months.

BDL is proud to say and share with you all that company has recently got approval to manufacture 2 DG API which was approved for COVID treatment. So this is the first company in India who has got the approval without any DRDO support. So we did the development in-house, filed the DCGI application, got the audits done from DCGI. And now we have recently got the approval to manufacture this. But we know we understand the situation now it's quite okay with India, but in case any further rise or spike in the cases, then we will be having an added advantage in this particular API.

To meet the basic demand of this API, Beta has also taken a loan license in some facility to manufacture particularly this product. All the cytotoxics will be manufactured at our own facility and this particular 2DG will be manufactured in the own licensed facility.

So the API sales stood at FY2021 Rs. 6.6 crores, this is the outside sales, not the internal sales, which is now in this first half we have done around Rs. 4 crores. We expect a significant growth in the coming six months. We have done well in the last two months and we expect the same growth to be coming in the remaining four months.

CRAM:

The CRAM business the business has grown significantly by 68%. We have added new customers, new companies in our portfolios. We have started manufacturing for them. Plus in the CRAM business we have targeted mainly the indirect exporters. So the only reason of having a growth in this is again the new molecules which we have launched. So those seven products which we have recently developed and launched in Beta Drug, we have given to our CRAM partners as well. And we intend to give them all the new molecules which we research.

Our core strength always lies in the R&D. The R&D Spend was 1% which will now increase up to 4% of the sales. This is only because we have a very, very strong pipeline till 2025.Our teams are working very aggressively in both the sectors like the ICR team and the development team. The ICR team just ensured that we are not infringing any patent so that we should be involved in any litigation with any MNC. And once we get a clearance from there, so the other team take up the product based on the requirements, based on the research of our side. So our main focus areas in this oncology new development products is always hematology. As Ashutosh ji just discussed that we have just made a novel drug of Azacitidine NDDS that is Azacitidine Oral. So now there are three more products which are pipelined through DCGI route only which the product approvals are expected by March. So we have made the pipelines, we have identified the products till 2025 and our team has started working on that.

Now, to conclude this, we have almost shared all the business segments, we have discussed about the branded formulations, that exports, the branded formulations is the key driver growth for us now for the next three to four years. The exports we look forward and we are, as Mr. Ashutosh said, that we have filed the registrations, we have filed the inspection fees for ANVISA, COFEPRIS so we will be getting audits soon from these countries. In case we have given them an option to opt out, if they cannot come for the physical audits they can do for a desktop audit as well. So we are working on that. So if we talk about exports, export is on track, the domestic is on track and API is 100% on track, then CRAM is also showing a significant growth.

So I will conclude now by just saying a few lines, since we have a robust pipeline for the next three to five years our intent is to launch all the new molecules, be the first one in the generics or it can be the FTL First to Launch or it can be the NDDS. This will be the major growth driver for the company.

We are looking forward for 30% to 35% annual growth for next three to four years down the line, which we are very confident to achieve. Our team is very strong and very energetic. Now, I would like to invite all the queries from our dear shareholders. Thank you.

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

Soham Das: So, I had two quick questions. Basically, you mentioned about CRAMs as well as domestic strategy. So can you please explain to me basically how will the strategy look, whether you will be selling all the new molecules on the domestic basis by yourself? And so how basically it will look, I am not quite sure about.

And the second point is how does your current TKI pipeline looks, because as far as the 2020 annual report goes, you mentioned path of about eight TKIs to be released in the next three to four years. So how does that look?

Rahul Batra: So I would like to tell you that whatever development we do in-house whatever products we intend to manufacture, the strategy is very clear that first month we tend to launch our own brand simultaneously we offer these brands to our CRAM partners as well. Since the capacity is not a constraint at all, and we are on a leverage of 50% to 60%, because majorly the developments are happening on the orals front so we have to exploit both the opportunities. And we intend to launch, in our own branding plus along with our CRAM partners.

The second question you asked about the TKIs. So, last financial year, this financial year particularly, we have already launched seven new molecules on which four were the TKIs then another two to three TKIs are going to be launched by March ‘22. And we have made a pipeline as I discussed on my roadmap that we have made a pipeline till 2025 identified all the new molecules which are supposed to be launched. Our team has already started working on those molecules and our major focus will be towards hematology, lung and breast cancer.

Soham: And one follow-up question on the CRAMs business. So, what is the nature of the financial arrangement? Is it on a revenue sharing or is it a basically pick up on the spot? What kind of revenue sharing, what kind of financial arrangement is it?

Rahul Batra: See the CRAMs business is all about, we don't share the cost sheets with them,we just share the transfer price, along with our MoQ. So this is the Minimum order Quantity, and this is the transfer price. So, once they agree, we proceed for the agreement of trademark and then we start manufacturing and deliver the goods to them.

Soham: How was the Uzbek operations looking?

Rahul Batra: Uzbek operations, now, since March, everything was online, but we got the approval for all the orals we manufactured there. We got the approvals for all the injectables. Injectable we supplied made available at our Beta UBK Warehouse there. But since the COVID pandemic was there, we couldn't travel at all.The six months India didn't allow to go and after that we tried, but we are still in the process of getting visas. Once everything is online we will be there. We will set up our marketing base and then we will be kicking off the marketing process as well.

Moderator: Thank you. The next question is from the line of Gurjot Ahluwalia, an individual investor. Please go ahead.

Gurjot Ahluwalia: Just a couple of questions,I want to understand the performance of the six new launches.What can be the expected growth of the domestic brand sales for H2? Because I understand inH2 of last year, we had done about Rs. 22 crores in the branded formulations.And in H1 we have done Rs. 24 crores. So incrementally only up I think Rs. 2 crores compared to last six months and first six months of this year. So, how is the new launches and what kind of growth we are looking for?

Ashutosh Shukla: So, we are increasing our cover market size every year. So, the six novel molecules which we have introduced, the covered market, we have increased by over Rs. 250 crores. And the four more TKIs which we will be launching in next four months' time again we will be increasing our covered market size by around Rs. 200 Cr. So, as of now, the market share which we have got for the existing molecules, for the recently new launched is around 2.5%, which we expect for the future new launches as well.

And as far as sales are concerned, last financial year we did Rs. 33 Cr, which we have already crossed in November. And now lot of orders, institutional orders are also lined up so we expect a very healthy growth in this financial year.

Gurjot Ahluwalia: But what I see in the presentation it says April to September '24.

Ashutosh Shukla: Yes, right.

Gurjot Ahluwalia: And last year, I am calculating for H2. I think H2 was only 22.

Ashutosh Shukla: Right.

Gurjot Ahluwalia: So I am just saying it's a Rs. 2crore growth, between last six months and first six months of this year.

Ashutosh Shukla: Right, so this year also, see last year if you see the first half, COVID impact was very much high. Even in this year, the COVID impact was there for a couple of months. Now we have regained our market share. And now the current base which we are expecting, like for example Rs. 33 crores, if you see the average sales of last financial year was less than Rs. 3Cr,close to around Rs. 2.75 crore, and now we will be cropping the sales of Rs. 5 Cr for next four months. That is the kind of growth we will be getting for the future months.

Gurjot Ahluwalia: And just one more thing on this business. So you have also mentioned that you will be focusing on Railways, CGHS Army. Now, I am a little concerned if you will get the same EBITDA margins versus your private corporate hospitals. And if this business will be lumpy or like tender driven, so like, what kind of margins should we expect if we are going to go into that sort ofArmy, Railways institutional.

Ashutosh Shukla: I will explain you the entire scenario. So if you see the overall Onco industry, the government institutions reimbursement patients that contributes to around 30%, remaining 70% comes from corporate and private hospitals, right. And as far as institutions are concerned, institutions we don't have much of a manpower. So we do have a one Institutional Head who is taking care of the entire institutional business. Plus we are taking the help of our trade team as well for the institutional business. So there is hardly any investment as far as institutional business is concerned. So as far as EBITDA is concerned, yes, definitely the prices will be low. But at the same time, the investment will also be very low.

Gurjot Ahluwalia: No, what I am trying to say is, right now, if you are getting 30% to33% EBITDA margin, if you start doing sales to Army, Railways, CGHS, then EBITDA margin will become lower on incremental sales, that is my point.

Ashutosh Shukla: Yes, you are correct to some extent. See, again, if you see the major thrust for us is the private hospitals. Now, the point which I wanted to bring in is like, if you see the overall Onco industry, one is the institution business which you are talking about. The second is a corporate business wherein there is a heavy price competition. Third is the private market. So we are focusing majorly into private market. So that this EBITDA margin should go up. Even though we are getting a lower EBITDA margin from the institutional sales, but overall EBITDA, if you see, it will be matching as it is, for the years to come. Because when the institutional sales is going up at the same time, the private business is also going up very, very significantly. So overall, EBITDA margin, if you see it will remain the same. Or it will be a little higher also, because, one thing I must tell you, if you see the manpower of Beta, as compared to the industry, our manpower like the per person productivity, it's like one of the highest in the industry. And that is a major focus for us as well.

Rahul Batra: I will just add-on on this, since we have a leverage in terms of production, and we have an opportunity to sell the products in any of the institutions, will be definitely doing it. Our focus is although as Mr. Ashutosh ji, rightly said that our focus is towards the corporate and the private market. But since, if we have the leverage, if we have the benefit of getting into the institutions, so we will be addressing this market, and we will try to capture as much as possible.

Gurjot Ahluwalia: So just on the CRAM business. So we have seen again, great growth in this business also. So just wanted to understand I think you have talked about few customer additions here. I want to understand if this is a long term business like 5, 10 year contracts, you have. And secondly, again, this business I think, is the lowest EBITDA margin business, right about 15%, 16%. So what is the plan here, will the sales mix, will be the same percentage, what this business contributes, currently it will remain the same in the future or this will have much faster growth or lower growth?

Rahul Batra: The CRAM business is already steady business for any pharmaceutical company. Companies like Hetero, companies like BDR, companies like Natco, companies like Panacea Biotec, they also take the CRAM business. We have been doing this CRAM business since last 15 years now. And until now, we have not seen even a single customer backed off from our side. So every year we renew the agreements with them, and we get the same response as we used to get earlier. The only advantage the CRAM partners have with us is that we are intending to develop new products which everyone is looking forward to launch and add-on their product baskets.

Coming on to the next part of the question that about the revenue mix, till the time we have leverage, and we still have a lot of leverage till the time we have leverage, we will continue serving our CRAM partners as well. So, even though the EBITDA is less, once the production is there, the capacity is there, we will be carrying on with this business mix. In future, once our exports are settled in coming two, three years down the line. But for that also, in case some expansion is required in terms of new facility, which we discussed in the last call also, expansion is required, we will be doing the expansions on that particular line. And we will not be leaving even single of our CRAM customers.

Gurjot Ahluwalia: So once we have the exports approvals in place, your different audits are cleared then slowly CRAMS business will come down a little bit.

Rahul Batra: See, the thing is, we as a businessman, we don’t want to lose even a single business of us. Every business is very important every segment is very important. Although the focus is in the own branded formulation whether it's domestic or whether it's exports. But for us, our CRAM partners are equally important. So even if we have to do expansions, and we don't have a leverage in terms of the production capacity we will be going for the expansion and we will be serving them as long as we can.

Gurjot Ahluwalia: But it will not overall impact the margin profile of the company.

Rahul Batra: No, no the margin will substantially increased because one thing you have seen from this half year, the half year which went. So the margins have increased. So this is only because of the own branded formulation, which has increased. So the own branded formulation will continue to increase at 30% to 35% pace, simultaneously we are increasing our exports as well. So the margins will increase. And we will try to maintain the same margins with our CRAM partners.

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

Rajesh: So this is regarding the targets which you had shared in your last call. So you had set a target of Rs. 153 crore sales for FY22. And over which you were expecting the sales to grow at 30% to 35% every year, and EBITDA margin to grow by 100 to 150 basis point every year. So now we have done already Rs. 90 crore in the first half. And you are saying that the second half would be even better than this. So the base probably, your target seems to be maybe around 200 crore this year. And then how much comfortable are we to grow at a 30% to 35% rate over

Rs. 200 crore revenue this year. And do you still confirm that your EBITDA margin will continue to improve by 100 to 150 basis point every year?

Rahul Batra: So the thing is that we have been doing pretty well in our own branded formulations. And in future also the base will be the same for own branded, since there is a lot of opportunity lies in the Indian market. On the second side, the exports will also be a dominant factor towards our margin growth. So once we are through with all these approvals, and since the registrations are already lined up, once we are through with the approval, so the EBITDA margin will gradually grow.

The only thing is that the figure which we gave in our last year call was 154. And since we have the 90, 88 so we will be doing much better than this as compared to the first half. And gradually the same sort of growth is expected in the next two to three years down the line. We have already laid down our plans accordingly. And we have been discussing with our core team internally as well, with the finance team that how to grow, where to grow, which segments do we focus. And the plan has been laid down very nicely and neatly for next two, three years down the line.

Rajesh: So you are confirming the EBITDA margin will also improve by 100 to 150 basis point every year.

Rahul Batra: Yes, yes.

Rajesh: In terms of the business profile, so we are primarily into Oncology. So are there any plans to tap other markets or we believe that Oncology is big enough for us to keep growing for next three, four, five years or maybe 10 years? So are you looking to expand your horizon beyond Oncology or maybe in chemicals side as well?

Rahul Batra: Yes, so oncology is our key focus area. Oncology is in like it is a core thing for us.We intend to look forward for only Oncology as of now. But simultaneously we have the facility available where we can plan for some general injectablelyophilize is one, that to lyophilized one. And that is only for, like only focusing on the antifungals. But the plan is still on the books and we are still working on that one. Apart from this, we might look for one more division to be added in the coming years down the line.

Rajesh: Maybe when one last question on your growth path, you I think seems to be extremely, I think one of the fastest growing company in the business, in the Oncology segment. And in terms of the margin expansion, you are also comfortable with the margin expansion theme for yourself. And in terms of the dividend part like are you planning to give any dividend in the future or you still want to invest your money in the business itself to grow even at a faster pace?

Rahul Batra: See, these are two choices which we have to make. So we thought of giving dividend but simultaneously we have to think about the capacity expansions as well. So on the injectable side, we need to expand on the lyophilizer part, since our lyophilized injectable were becoming stagnant and the capacity was becoming constrained. So, we just installed one lyophilizer. So that's already like on the root and it will be done by this month only. So, the expansion part has gone, the money part has gone there.

Then the second is the expansion, we are doing in the terms of API, since we are going for the EU approval for that particular segment, already two reactors added then one more line will be added and one QC and microbiology, little bit has been done, the modification has been done. So the money part has gone there as well. Then we are actually looking forward for more and more registrations. So for more and more registrations, we need to trigger the inspections so inspection fees need to be paid. So right now dividend, of course is on books, but we will still evaluate till March, how much more expenditure is required in terms of growing the sales majorly for exports.

Moderator: Thank you. The next question is from the line of Raghav from Ace Capital Services. Please go ahead.

Raghav: My question is related to current capacity utilization and if our capacities are fungible.

Rahul Batra: Right, so API business, let's talk about the API business first. So API, since we are adding more and more molecules, that's the reason we expanded our API reactors. The two reactors have already been added. Then for EU we are again adding four more reactors that is only the glasslines. Then if you come on to the, after this, we will be having the leverage will be 60% to70% utilization only.

In API's, the major benefit which we get as an onco is, that the batch sizes are not huge. So the batch sizes are only kilo batch sizes, only 10 kgs, 20 kgs, it's not like one tonne or two tone batch sizes. So this is one advantage we have in Oncology. But apart from that, we have a number of reactors to take care of our own demand, to take care of our other domestic demand for the other Oncology player, plus for the exports as well.

In terms of our formulation is concerned, the orals part, the oral facility, we still have a leverage of around 50% to60%. As this is a new plant, and we were serving it from the older plant earlier. In terms of injectable we do have, we had a constraint for lyophilized injectables, that constraint has also been addressed. And now the new lyois coming in place this will be installed by December. So, again that leverage will come to 60% to65%. And overall we can easily, with this investment and see pharma is a continuous investment process.Every time you need some new machineries, every time you need some new equipment, every time if something is there, you have a space you go for an addition of the line or addition of the machinery. So this will be a regular process, this will keep on adding. And with this particular investment which we have done and planned till January 2022 we will be having enough leverage and we can do a sales of Rs. 300crores odd.

Raghav: And I appreciate your willingness to allocate capital to expansions rather than giving dividends. I think, for a smaller company, we would like that position in stock prices rather than getting some dividends, like, so I also appreciate that.

My second question will be related with R&D capacity. So how many scientists we have, and since we are a research based organization, are we going to increase the scientific pool that we have currently.

Rahul Batra: So the overall target is to develop around five to seven molecules in a year. And for that we have enough scientists in place.Apart from the scientists, we have the ICR team also, the law team also in place. So the total expenditure we were doing that was around 1%, but now it will gradually increase to 4% of the total sales value. So the number of scientists we have for this development is around 4 and we might increase up to 6 or 7 based on the requirement, in case we are capable enough to handle this development so we might not be adding, but future we will definitely be adding up some more scientists in the development path.

Raghav: So this CAPEX that you are doing in terms of R&D spend 2% higher,is it more in terms of getting more manpower, maybe junior scientists or other staff or is it in terms of equipment buying?

Rahul Batra: No, it is in terms of the particular product development. So product development, we need to have multiple batches for which we need multiple source of intermediates. So for one product development, in case of supposing we take up Azacitidine so we have to take three to four batches, we have to take in formulation, three batches in API. So, this is how the total if we see the developing NDDS is not an easy task, it's totally a technological driven thing. So, once we are into all this process, so one product gives us an immense pressure of the cost, but this pressure is nothing in terms of sales as whatever expenditure we do on development of one product can be met out in three or four months. So the major expenditure part in R&D, what we are doing is not towards coming up with a new scientist, this is towards getting the material developed at our sites.

Raghav: I think Oncology products are, the developing markets are pretty underserved, in terms of Oncology market. So there is a huge potential to be tapped over there, challenge will be there are so many small markets that you need to do registration etc. So as a strategy we want to take the emerging markets or we want to take the developed markets like Europe, and take the big players there head on in terms of cost advantage, which we have.

Rahul Batra: So these are three strategies, you will just --. So our major strategy is towards, is developing the first to take the PIC/S approval, we have already filed an application in Thailand, we have already filed an application in Brazil for ANVISA. So we might expect an audit very soon. So the major target is towards the semi-regulated market right now. And after this parallelly our team is working towards acquiring one MA from Europe. We are in talking with two countries in Eastern Europe to have an MA acquisition where we can easily trigger the EU market as well.

Simultaneously, if we get an opportunity to work with any good company for European or regulated markets, we are looking for that possibility and as we are in talking terms with one or two companies on that side also. But that will also be based on the non-exclusive basis.The exclusivity will all be given to those companies as simultaneous. Once they are marketing in those countries simultaneously, we will be marketing as well.

Moderator: Thank you. The next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: I have three questions, actually. First is a question on your strategy. So one thing which I find slightly strange is that you have your own branded portfolio and yet you are also supplying your API to some of your, basically your competitors in the market right. So isn't there a conflict there? And why do that? I understand there are benefits of operating leverage. You have so much capacity, so you are doing it. But long term strategy wise, is it something that you will continue to do? Does it make sense? Does it not make in fact more sense to have every API under your own brand? So that's my first question.

Rahul Batra: So, the thing is, in pharmaceuticals,in pharma one does manufacture one raw material and supply and manufacture it in-house for the formulations, and supply to other companies. If we are not doing it, someone else will come and play, and they will be supplying to those companies. So since we have the leverage, we have the price advantage, we have the profits to be inculcated in that facility. So if all those facilities, if all those opportunities are there, why not supply these APIs those companies as well.

I am not comparing myself to any big company, we are not comparing that, but still, Sun Pharma do manufacture Carboplatin, which is today's right now short is the market. So Sun Pharma does the formulation and API both, but Sun Pharmaalso gives the Carboplatin to all the companies, like to us, to Nephron, to Hetero, to Zydus to all the companies. So, this is a business model, since you have the capacity, you can market that product, why not give it to each and every, this will increase the market also and this will increase the brand name also.

Agastya Dave: Second question is you mentioned about your capacity utilizations and plenty of investment is already going in. But these are just additions right, when would you require a new block or when would you require a new site? How far away are you from reaching those requirements?

Rahul Batra: As I discussed earlier that this particular addition is good enough to grow sales of Rs. 300 odd crores. So, before that, once we are at the verge of doing Rs. 260 crore, Rs. 270 crore. And coming up with the plant of a new line that will be only required, I think will be the only line which is required for further expansion will be the injectable one. We have already acquired a land there. We have already acquired the land near our facility. So we have made the expansions, and the plans are ready. The only thing is the execution need to be done. But till the time we have leverage, the execution will not take place, once we are at Rs. 260 crore to Rs. 270 odd crore, will be going on for an additional line injectable.

Agastya Dave: So just to clarify, once the current capacities are more or less like 80%, 85%, 90% utilized, you will acquire new addition, which would be a basically a different line. Right?

Rahul Batra: That will be a different line, different, you can say different block altogether.

Agastya Dave: And the current location that you have, how much land do you have? How many such blocks can you add?

Rahul Batra: We can add up two more blocks there. And we have a land of around 3.5 acres, we have just added 0.8 acres more, and we are in talking terms with all the villagers nearby, who are like just adjoin to the plant. So they are ready to give us to 2 to 2.5 to 3 acres more towards.

Agastya Dave: You said you can add two more blocks.

Rahul Batra: Yes, we can add two more blocks in this project.

Agastya Dave: My final question is, on the filings that you are doing in regulated market and you are not setting up some reactors dedicated for that purpose. So if I look at your, let's say, by 2025, how will your business mix change, in terms of exports versus domestic and regulated versus ROW. So what would be that split in your mind?

And a sub-part to this question is that going forward once you go into the regulated markets, will we be seeing more FTFs, probably you becoming authorized generic for some molecule or you getting Para IV opportunities? How are you looking at it? And how are we preparing the backend for that, because those will be the like really massive opportunities, right. So first of all, is it something that we can handle? And what are we doing to prepare for that?

Rahul Batra: So I will start with the last line, like we are capable of handling each and every situation. And we have got all the professionals in line. The scene is totally driven by the professionals from the Onco industry who are working in this line from last 15, 20 years, now, whether it's in the production line, whether it's in the finance line, whether it's in the marketing line, sales line exports line. So all put together, all of us are working in the Oncology since last 15, 20 years now.

So now coming down to the strategic front on the export side and the revenue mix so once our exports will be fully syllable cycle, so the revenue we see as compared to the current scenario, is that 30% to35% of the export revenue will be there, same 30% to35%, our own branded formulation will be there. Then the revenue mix might, although the growth will be there in the CRAM, with the CRAM partners as well. But since the volume of exports will be high, so the percentage business of CRAMS will come down from 55%, 60% to 30%, 35%.

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

Rajesh: Maybe if you can elaborate a bit about your M&A strategy in line with the CAPEX plan, which you earlier mentioned. So, you are saying that till the time you reach Rs. 260 crore kind of revenue, you might have to spend a bit more or you have to basically do a large CAPEX, so which I believe could be in FY24, coming in front of you. So basically a bit more on M&A strategy and the CAPEX timelines and the amount required to grow the business continuously at 30% to 35% rate?

Nipun Arora: So, the CAPEX which we have spent, can you repeat the question again?

Rajesh: So, earlier there was a comment that you might require a large CAPEX once you reach like Rs. 260 crore kind of sales, which I believe you would be doing by maybe next year or maybe by FY24. So, probably you would have to spend the money, maybe from next year onwards. So, if you can elaborate a bit more on your CAPEX amount which you would need for large capacity or for basically a major expansion in the next year or maybe year after?

Nipun Arora: See the expansion which we are already doing, we have already spent 50% to60% of the expansion without getting any further loan. I mean, the loan which we have got was very minimal. Say if we have in all the three companies that we have invested, somewhere around Rs. 78 Cr, we have got a loan only for Rs. 2 Cr, out of which we have utilized only Rs. 1 Cr till now. So, we have done it from the internal sources only. So by this capacity only which we have already incurred we could easily touch Rs 200 crore to Rs. 220 Cr. So, by I mean, you are talking about Rs. 240 Cr, so we are nearly, we can easily touch theRs. 220 crore to Rs. 240 Cr by this capacity only.

Rajesh: So, that Rs. 240 crore, if I look at say Rs. 190 crore this year, and then 30% growth next year, so you would be doing around Rs. 240 crore probably next year. So, you would require major CAPEX, maybe next year to keep growing at that rate or that is already under plan --?

Nipun Arora: See the CAPEX in terms of equipment we have already incurred and we are incurring. The CAPEX regarding the product registration, it will be incurred in the next phase.

Rahul Batra: So, the thing is, as I told you already that with this expansion, we can do easily say about Rs. 300 odd crores, right. So, after we get into like Rs. 260 crore to Rs. 270 crores of sales we will be looking for an expansion for the injectable line. For particular injectable lines we have the land available to construct that block, and the injectable line, the total amount required is not more than Rs. 35 crores. So, we have enough reserves with us. And we might not go for more loan from the banks so that the company should be in the same phase as it is today. So the total investment might be around Rs. 30 crore to Rs. 35 crores, it will not be more than that.

Rajesh: And maybe a bit on your M&A strategy.

Rahul Batra: M&A strategy, till now we have not like seen any of the company where we can do some M&A. But of course if we get an opportunity in any of the divisions like which is linked to Oncology only we will be definitely exploring that opportunity and we will be doing that as well.

We are in talk and we have we have our concerns, we have our people everywhere in all the like segments. We are in talking terms with Deloitte. We have relations with the many of the persons who are mainly pharma specific. So in case any acquisitions, they are looking forward to diverse, so they will be offering to us and in case they are linked to Oncology, we will be exploring that possibility as well.

Moderator: Thank you. The last question is from the line of Dheeraj Shah from Phillip Capital. Please go ahead.

Dheeraj Shah: When you say that you are looking to increase the R&D expenditure as a percentage of sales to 4%, from current 1%, so my question is that this will impact the overall EBITDA margin going ahead?

Rahul Batra: No, there will not be any impact on the EBITDA margins, because the expansion mode will be for two, three months, but after that, the product will be launched and the same revenue will be generated for next nine months. And once these products are launched, these products will add up further more EBITDA as compared to the current portfolio. So the EBITDA will not be affected at all with the development part.

Dheeraj Shah: As you said that you have plan to launch maybe 20, 25 molecules in coming years. So, how do you identify the molecule? So, is it totally depends upon how big is the market size of that molecule or is it a complex process? Or is it dependent on the competitive intensity?

Rahul Batra: So the thing is, we have a good marketing pace in Oncology, the team who is working with us, they have a rich, vast experience in Oncology expertise. So, the main areas of our identification of a new product is always hematology, lung cancer, breast cancer. Plus we have started on the side, on the prostate as well. So, these are the main focus areas for the key developments for the key products which we intend to launch in the coming years.

Secondly, the market size of those products, if they are the niche molecules, if they are the, see there are two processes now, one is that we are the FTL First to Launch for the generic version of research molecule. The market size is already there, but after the generic molecule is launched, so, the market size reduced substantially by 110. But if we are doing a novel formulation, like we have done for Azacitidine oral. So this product is not available in India with any of the research companies.

So, these products are not available in terms of, it's not available with any of the MNCs. So, once we do this, these are the molecules which are novel molecules and certainly the market size of these molecules need to be created. But since the indication is there, the doctors always look forward for something unique and something new from the company. So, once these are developed, so, we will have an opportunity to go and crack even those doctors which we are not covering at the current situation. So, this gives an edge in the market as well.

Dheeraj Shah: What would be the over all market size of the new product that you are going to launch in coming years, any ballpark figure?

Rahul Batra: See the one, Ashutosh ji just discussed that the four molecules which we are going to launch by 2022, March, the market size will be close to around Rs. 200 crores. So, we will be catering these. And now after that single molecules will have a single market size. So, that is still under consideration. And whatever market sizes, we will try to take the maximum market share from there onwards.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Apurva Shah, for closing comments. Thank you, and over to you, sir.

Apurva Shah: So on behalf of Phillip Capital, we thank all the participants for your valuable time. And especially the entire team of Beta Drugs Limited, Rahulji, before we close would you like to make any closing remarks so that would be helpful for all the logged in participants.

Rahul Batra: So thank you so much for sparing time. As I told earlier that it was supposed to be done in the month of November. But anyhow, we have done it now. And we will scale it up to the level where you all are looking towards. And we will continue give the performance of 30% to35% annually, and our own branded formulation will definitely make an impact in the market. So once everyone is aware of like the Oncology so you can always have a look arounds of the market from the data available online that where the company stands, where the branded formulation they are going, and what sort of turnover, what sort of development they are taking forward. On behalf of my team I thank you all and assure you best of our performance in the coming years as well.

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