



## “Beta Drugs Limited Q4 FY22 Earnings Conference Call”

**April 28, 2022**



**MANAGEMENT:** **MR. RAHUL BATRA - CHAIRMAN AND MANAGING DIRECTOR, BETA DRUGS LIMITED**  
**MR. NIPUN ARORA - CHIEF FINANCIAL OFFICER, BETA DRUGS LIMITED**  
**MR. ASHUTOSH SHUKLA - DIRECTOR (SALES & MARKETING), BETA DRUGS LIMITED**

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

**Moderator:** Ladies and gentlemen, good day and welcome to FY'22 Earnings Conference Call of Beta Drugs Limited hosted by PhillipCapital PCG Desk. As a reminder, all participants 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 PhillipCapital(India) Private Limited. Thank you and over to you, sir.

**Apurva Shah:** Good evening, everyone. On behalf of PhillipCapital, I welcome all of you to Q4 & FY'22 Earnings Conference Call of Beta Drugs Limited. From management, we have Mr. Rahul Batra – Chairman and Managing Director; Mr. Nipun Arora – Chief Financial Officer; Mr. Ashutosh Shukla – Director,(Sales & Marketing);and Mr. Gurvinder Bhullar – Strategic Advisor for the Company.

I now hand over the conference to Mr. Rahul Batra for his opening remarks and then we will open the floor for question-and-answer. Thank you and over to you Rahul Sir.

**Rahul Batra:** Hi! Thank you, Apurva. Good evening, everyone. I welcome you all for the Annual Earnings Call of Beta Drugs Limited.

To start with, I would like to thank my father, Mr. Vijay Batra who laid down the foundation of this company in 1980s. I would also like to thank Varun Batra, my brother who is working hand-in-hand and taking this vision to next heights. Also, my heartiest congratulations to all the team and my bigger applause for giving their best and committed performance in the last year.

To start with, I will give you a brief on the numbers and analysis.

Beta consolidated revenues from operations for FY'22 has increased by 58% to Rs.183.84 crores from Rs.116 crores compared to the last year. The strong top line has only been because of our own brands followed by our main CRAMS partner and APIs, which we have started selling to the third-parties.

The consolidated EBITDA grew by 72% to Rs.43.5 crores from Rs.25.24 crores compared with the last year. The EBITDA margin expanded from 23.6% from 21.7%. Overall improvement of EBITDA and then account of higher sales of our own brands, exports and cost realizations.Net profit too increased by 112% to Rs.24.8 crores from Rs.11.7 crores.

The Company was able to reduce the debtor days to 90 days as compared to 106days.We just continue to focus on increasing productivity and gaining efficiencies across the value chain. The vision is to become the net debt-free has been achieved last year.

Now, coming on to the Beta Drugs, all about the production facilities: As you all are aware that Beta Drugs has four different plants at different strategic locations. If we talk about the expansions, just now we have completed one major expansion in Beta Drugs plant. The expansion is for the lyophilized injectable capacity. We have increased the capacity by 3x by installing one new lyophilizer.

If we come on to the API plant, which is located at Punjab, we have already commenced the state-of-the-art Micro and QC laboratory. This will help us in filing EU GMP. Already, this lab has given us the benefit and help us in achieving WHO accreditation last year.

In addition, we are also adding up one more line with C-reactors and two glass-lined assemblies. This line will only be for CEP filing and EU GMP approvals. The new lines will be commenced and operational by July-end.

If we talk about Adley formulations as discussed in October, since we had the building ready and we have installed one more separate manufacturing unit for general lyophilized injectables. We have installed two new lyophilizers and initially we'll be only focusing on the OEM part and non-regulated markets. This plant is almost complete and plan to commence by June-end. All the licenses are obtained pertaining to manufacturing and product licenses. We will be focusing on antifungals and immuno suppressants to start with.

The Company's main USP lies towards innovation. I am proud to say that in last one year, Beta has launched 15 new molecules. Beta has now finally stepped towards the DCGI approvals, which was a very-very big hurdle earlier. Yes, this last year, we got first DCGI approval of Azacitidine Oral Tablet. Just now in April, we have recently got one more approval of Cabozantinib capsules in both API and formulation. Company is also awaiting one more approval by June end. This all has happened because of the support of our API, of which we don't have to bank upon any external requirements. Today, Beta has diversified oncology portfolio and with a very strong future pipeline for next five years, for which the work has already started.

Now, I will take you to the business progress for all the vertical wise. To start with our own brands. Beta's own brand has grown 67% as compared to last year. This year, as per IPSOS Data which we got in December, two brands have occupied #1 position in India. There are six brands which have achieved top five positions in the respective markets. Then, growth has been driven only by the new hospital entries, adding lot and lot of many doctors, launching of new nine products.

Another addition towards the own brand is the launch of Azacitidine Oral Tablet, which is that NDDS and used to come in the form of injectable earlier.

Today, Beta has strong positions with 110 different SKUs for all the therapeutics which includes lungs, hematology, liver, breast, etc., We aim to keep the same pace for the coming years ahead.

Coming on to the international market, our exports ,there's a huge scope in this market. We are trying our level best to gain a certain to respectable amount of position in the international market.

We would like to share first, that we have cleared the pre-audit for INVIMA, that is from Colombia and now the final audit is in next 15 days that is on 15th May. We will get our approval by August and simultaneously we will be putting our dossiers for Colombia. We have already filed many dossiers in Latin American countries. We expect the business to start early 2023.

We have also paid inspection fees for Brazil that is for Anvisa. We are still to get the confirmation on the final date for the inspection.

We have also submitted our first dossier in Thailand and expect an audit soon, but the dates are yet to be confirmed.

So, these three particular audits will give us Anvisa,INVIMA, and,PIC/S.Apart from Europe, US, Canada, we will be catering to almost entire world. This will open our LaTam, Asian and CIS markets. By 2023-24 we will achieve our presence in many of the regulated countries.

As on today, we have specialized experts sales team who are supported by a very dedicated regulatory team. Recently, in last six months, our regulatory team has worked phenomenally well and they have given almost 24 dossiers to be submitted in those markets. Recently, in the last six months, we have signed many agreements and proceed for the registrations. All this will be seen in revenue from 2023-24. We are after this and we are working very aggressively to get the revenue this year, but since it's pharma and the registrations do take time, so the revenues we expect to start from early 2023.

Coming on to the API business. This year, we have received WHO for the facility. WHOGMP certificate not only gives an encouragement to supply the drugs to the local market, but also it opens the avenues for the international market. In Adley Lab itself, we have launched 30 new APIs last year. Adley Lab is among very few companies who are manufacturing molecules like Carfilzomib, Cabozantinib and many more. We have got an excellent team to develop the new APIs on a fast track and constitute the formulations team. Recently, last year, as discussed,Adley Lab has commenced, its state-of-the-art facility to facilitate our quality precision. This facility is only the micro and the QC lab. We are also adding up one more line with three more reactors and two blast assembly lines, only to cater Europe market and regulated market. The production from this line will start by July end and we have taken a

target to file our first CEP for Europe by October end. The products have already been identified. We are going to start filing from October end. We also plan to file many CEPs by the year 2024-25.

Coming onto CRAMS business, CRAMS is a very essential part of our business. In pharma, CRAMS business plays a very important role. We value all our CRAMS Associates. Today, Beta has partnership with almost 50 plus companies and we expect to add five to seven more this year. Last year, we added around seven new companies in our portfolio. There is a lot of leverage in terms of production capacity. So we welcome all the companies on board and committed to give them the best cytotoxic products with the highest quality. I have already given my presentation on all the verticals.

To conclude, I would like to discuss about the past performance and the future for all the verticals. We have a clear roadmap to achieve 30% growth annually. The roadmap has also been designed and framed for next five years. Domestic will be continuing launching the new products as this gives us an edge in the market. We will keep on adding the untapped markets like tier2, tier3 cities. The focus will be to increase the PCPM of each and every individual who is working in the sales part.

API, again, we will have five new developments and we will be filing our first CEP by 2022 this year.

International, again, we will complete all the audits and start the registrations as soon as possible.

So the overall, if we see, the success of the Company totally depend on the commitment. The team which we have right now is very young and very dynamic and they are working night and day to just achieve the numbers which we think so. We expect that the Company will grow at a pace of 30% for the next three to four years. Here, I complete my introduction. Now, we welcome you for the questions. Thank you.

**Moderator:** Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Kunjan Gupta from Client First Wealth Management. Please go ahead.

**Kunjan Gupta:** Hi, Rahul. Hi, team. As the company mentioned, Beta Drugs is the leader in oncology segment, so I just wanted to know, what is the market size of oncology segment in India and what is the share of Beta Drugs in it?

**Ashutosh Shukla:** Current market size is around Rs.4,750 crores and our market share is 3.75%.

**Kunjan Gupta:** So, just doing a 3.5% market share we are the leader, right?

- Ashutosh Shukla:** No, we are not the leaders. We are the leaders for a few of the brands.
- Kunjan Gupta:** Our margins have increased this quarter. So, what would be the condition of margins in the next three to four years that we see -- it will grow or it will just be stable right like this?
- Rahul Batra:** Since our presence has increased in the domestic market, the margin will certainly increase. You said about that we are the leaders. Actually, we are not the leader. We are leaders in the six brands plus. Why we say that we are one of the top most oncology leading company, the reason is that we do a lot of CRAMS business as well. So, put together we are manufacturing for 10 Indian MNCs. So, 60%, 70% of their portfolio is manufactured by us. So, this is the reason why we talk about that we are one of the largest cytotoxic manufacturing company in India.
- Moderator:** Thank you. The next question is from the line of Sanjay Awatramani from Envision Capital. Please go ahead.
- Sanjay Awatramani:** Sir, I would just like to know that you have given this guidance of 30% growth annually for the next three to four years. So, to confirm this, this is the revenue growth, right, we are expecting?
- Rahul Batra:** Yes, this is the revenue growth.
- Sanjay Awatramani:** And what can be EBITDA margin, if you can just give some guidance on this for the next three to four years?
- Rahul Batra:** See, EBITDA margin will grow at a same pace what we have done in the last year. EBITDA margins to grow this year 2022-23, we expect it to grow by 100 basis points, like 24% to 24.5%, then again we will increase to same level. So we see the EBITDA margin to be landing somewhere between 26% to 27% four years down the line. It can be more also since we will be penetrating more of the international market. So, in international market, you can understand how much revenues and how much the price differences are there as compared to the Indian market. So that market is total vacant for us. So we will be targeting mainly the export. So, in three, four years down the line that EBITDA margins 100% will be on a higher side.
- Sanjay Awatramani:** Any major challenges or major risk we are facing, I mean, you filed many of these approvals in the multiple countries, right?
- Rahul Batra:** See, we used to face some major challenges in terms of documentation, all the challenges have become a part of our everyday work now. So, every day there is a new challenge. So now this is a regular improvement which we are doing from last two years, and now our team is well placed in terms of whatever approvals we are looking forward. In case of audits, the team is well versed, in terms of documentation, the next team is well versed. So everything is in

process. And if you see the challenges, the challenges will do come in life but as per our experience, we will face those challenges and we will come out our best.

**Moderator:** The next question is from the line of Dhiral Shah from PhillipCapital. Please go ahead.

**Dhiral Shah:** Sir, as I see that industry is growing at 20%, but we as Beta Drugs has grown almost at 65% in FY'22. So, how come you have made this growth rate possible?

**Rahul Batra:** I would like to say that we actually have a very right people on the board, it means that the company is driven by all the young forces. We have launched very new products, then the product identification is one of our priority, where our team is working very aggressively right from sales point and to the development point. So, both the teams are working in coordination, where one is identifying the product, one is developing the product. So, the time when we decide in launching a product is not more than six to nine months. So, this is one of the reasons we are growing at a higher pace. We believe in innovation where there are a lot of development in terms of oncology products are concerned. So, last year, like I discussed about Azacitidine Oral, so it used to come in injectable form. So, we converted in the tablet form, launched in the market. So, this is one NDDS we have launched. So, we are working on very new NDDS in this year as well. Maybe those NDDS will be launched next year. So, this is one of the key factors, the innovation, the right people on the board. Then one important factor why we have grown with this percentage is backwardly integrated. We are actually one of the very few companies in India who are backwardly integrated. So, there are a very few companies who are manufacturing API and formulations both. So, we are doing both the things simultaneously. Then the main point which we think in terms of our 65% or higher growth rate as compared to the industry is that we are very customer-oriented, that is a core of our business, whether it comes in the terms of the CRAMS partners, whether it comes with doctors or whether it comes with the international partners. So, all these four things I think will make us prominent and give us a good growth in the future also.

**Dhiral Shah:** Sir, oncology is the most happening therapy area in the pharma industry and you said that our market share is almost around 3.5% to 4%. So, where do you see this Beta Drugs five years down the line in the oncology segment?

**Rahul Batra:** So, what we see is that we intend to grow at 30% every year for next five years, and we want to gain a leadership position in oncology industry. We have planned and we have marked our presence and we have just started in all the semi-regulated countries. So, our target is to cater all the regulated market after this, that is Europe, then we will be focusing only on the Latin, CIS through all these different accreditations. We as a team has already started working on this direction. We plan to launch at least five to six new innovative APIs which can become 10 crores plus brand for us. By actually doing this, we can actually think of achieving a leadership position in oncology industry. So next five years down the line, we can only be thinking of

gaining a leadership position and that can only happen with all these things --new innovative molecules, new markets, new strategies, new approvals, then all these three combined together will help us gaining that position.

**Dhiral Shah:** Sir, when you say leadership position, so any ballpark figure in terms of market share that you are targeting?

**Rahul Batra:** We intend to have 14% to 15% market share.

**Moderator:** The next question is from the line of Yogesh Tiwari from Arihant Capital Markets Limited. Please go ahead.

**Yogesh Tiwari:** Basically, I wanted to understand a little bit on the raw material side. So, if you can help me to understand which would be your top three raw materials in terms of contribution to cost? And are you seeing any inflationary pressure on that side?

**Rahul Batra:** See, oncology, if we talk about the raw materials, so our basic right now is that 70% of our API sourcing is backwardly integrated. So, if we talk about the top three raw materials which we are manufacturing at Adley Lab facility and supplying to Beta, our Fosaprepitantis one, then Enzalutamide is one, and third one is Methotrexate. So, these three APIs contribute a lot to the volumes. Then the cost inflation is definitely there, but on the same side, we are getting a smoother run over the increasing a cost for the customer end also. So the only advantage we have right now is that, as I told you, that we are backwardly integrated, so we do not have to be like so much worried about the API costs, because API is one thing which is making it sustainable, which is making it more profitable. So Beta can add up more margins after developing new and innovative molecules through its API company.

**Yogesh Tiwari:** If you can throw some light on what is the current working capital days and how do you see it going forward?

**Nipun Arora:** We have continuously improved a lot in working capital days; the working capital days earlier in the last year were 92 days and now it is 70 days. This is because we are working majorly on deb to realization and reducing our debtor days. Inventory days also reduced a lot; if you compare inventory days we have reduced from 50 days to 44 days. So, it is continuously going better. And if you see the debtor number from Rs.33 crores debtors in the last to last year, now it is Rs.45 crores. Obviously, compared to turn over if you compare it, then the debtor days have reduced a lot by five, six days.

**Yogesh Tiwari:** And any major driver for the reduction in debtor days?

**Nipun Arora:** Better realization and continuously follow ups.

- Yogesh Tiwari:** In terms of client mix?
- Nipun Arora:** It is a persuasion which we are doing with all the clients, whether its own brand, whether it is CRAMS, whether it's export, so we try to get our payments realized well on time. So, this is one step which we have taken last year. Even though the sales might be less by Rs.1 or Rs.2crores, but the payment realization has to be on time and it's just the persuasion of the entire team, which has brought the debtor days down.
- Yogesh Tiwari:** This working capital days currently sustainable, right, we are going in future also like in the next two to three years?
- Nipun Arora:** Definitely, definitely, not even sustainable, rather it will reduce.
- Yogesh Tiwari:** Any particular reason for reduction if I can understand that.
- Nipun Arora:** Because most of the people should be shifted from say 60 days to 30 days or say 90 days to 75 days. These are the systems which we are changing right now.
- Yogesh Tiwari:** On the inventory days front also you told it has come down. So any particular driver over there on reduction point?
- Nipun Arora:** Production people are working in process cycle time also. So, this has resulted in the reduction in working capital.
- Yogesh Tiwari:** Like going forward, you are targeting the CIS countries as well. So just to understand the process over there, how much time it takes for approval and will there be any effect of the current geopolitical situation on business in the CIS countries?
- Rahul Batra:** CIS, as per today, there are only two regions which are disturbed, that is Russia and Ukraine. I have just been to Uzbek like last month only. So there is no problem in Uzbek rather my sales team has traveled to Kyrgyzstan and to Kazakhstan. So both these areas also not even disturbed. So a lot of opportunities will come from the Russia base, where like unregistered products will also go to Russia. So we are exploring many opportunities in CIS countries right now. We just started supplying to Georgia. We have registered two products in Georgia and just started supplying there also.
- Yogesh Tiwari:** Just to understand how is the margin profile in CIS compared to other regions -- is it better than average or it is like along the gross margins range?
- Rahul Batra:** It is better than average.

**Yogesh Tiwari:** And finally, on China, like any raw material dependency, or what would be the percentage dependency on China?

**Rahul Batra:** We used to source around 40%, 50% of our KSMs from China only for our API plant, but now we have reduced that also, and we brought it down to 30%-35%. And for this, we have just got an allotment of a new land in Himachal that we have got in a particular area, which is only for the API. So, we are planning after two, three years down the line to manufacture all the intermediates at that facility only. So that is again an expansion plan, which we are planning for 2024-25. Like after three, four years, we might reduce the total dependency on China, but as you know, the China is the main source for all the KSMs for the entire world. They are building on economies of scale. So we want to replicate that economy of scale in India and our product line is very, very, different. So we have to work on the technology to get the KSMs done in this area only. So overall, the dependency has reduced but still, there will be a huge dependency in China, because reason is China, the rates, the prices and the new development which China does, no other country does that in KSM part, not in the API, not in the formulations.

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

**Raghav:** Sir, my question is related with the new product launches we are doing for our domestic market. I can see we have a very healthy pipeline over last two years, even this year, but going forward that product launch is going down. So like we have four and then three and then three till 2025. So I wanted to understand the reason behind it, is it because there're not enough molecules, patent expiry kind of a thing or because we are focusing for our next leg of growth, let's say exports, maybe not so much on domestic markets where margins are high, so what is the reason of our new product launches ramping down in the future?

**Rahul Batra:** Not in any case, we are just diluting the domestic market. Domestic market is always our prime focus and we will be putting our focus in the domestic market primarily. So if we see the product launches, if we had done, that is around nine products last year, then before that three products, this year also we will be doing around eight products. We have list ready for 35 new molecules which are becoming operated by 2025. Maybe we have not mentioned on the slides that we are planning for those products, but those list is already ready and we have started working on 8-12 molecules which will be launched by 2023-24. So, this year again four, five molecules, next year again four, five molecules then after that again five, seven molecules. Not only this, we are also working on one NDDS technologies also. So there is one product, which we want to launch and we are just working on that line. Maybe we have not put in the presentation, but as soon as the products are developed. Since these are something unique and very difficult to make. So, our team should be very committed and they should be very confident about launching those products. So, once we are on the final phases of launch, we

will inform you. Definitely, the pipeline is very, very huge and we are working on it very aggressively.

**Raghav:** The slide was with lesser numbers, but I understand you want to develop and then put it into the slides. Thank you. My second question was related to capacity utilization. Since we have increased the capacity, what could be our peak revenue if our 100% capacity is utilized, and when do you expect that to happen, right, and what is our current capacity, so if you can give me just these three pictures related with capacity utilization?

**Rahul Batra:** For oral facility, we still have a leverage of 60%-70%, and if we talk about the injectable facility, so, the injectable we were like facing shortages in terms of lyophilizers. So, there we made a change, we had an addition of one new lyophilizer. So again, the leverage is still there for 40%-50% in terms of lyophilizers are concerned. In terms of API, we are adding one more line there and last year we added one reactor. For domestic market, we will be having a leverage of 30%-40% and for international market, that's a totally newly sole line. So all the exports will be happening to the new line. So, if we talk about the total revenue, we can do from this. What we have seen from our calculations that we can do a turnover of Rs.300-350 crores from this current capacity. Taking it forward, as I told you that we have acquired a land, there we got the approval, not only to make intermediate, we can have as many blocks as we want, we can have a new formulation plant there, we can have a new API plant there, we can have two separate blocks for intermediates. So expansion plan has also been on roll and for that the work had already started, the land has already been acquired.

**Moderator:** The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar:** Sir, I just wanted to understand something on the gross margin side. Now, you are doing a lot of work on the regulated market front as well. Currently, margin is around 50%. So maybe three to four years, how do you see gross margin panning out?

**Ashutosh Shukla:** Gross margin if you see from the last year 37.8%, now it is 39%, so, it is nearly 110 basis points upward side. As Rahul ji has already told you that this is mainly 70% of our captive consumption. We are backwardly integrated. We are trying day-by-day, so new molecules could be developed in our API facility so that our raw material costs could be neutralized. We see a further reduction of say gross margins of 100 basis points to 150 basis points every year at least.

**Deepak Poddar:** Three to four years down the line, how do you see your revenue mix from the domestic market versus the regulated market?

**Rahul Batra:** So the mix will be, 40% will be contribution from the domestic market and 30%-35% will be from the export market, rest will be from the CRAMS business. CRAMS business will grow

from the OEMs. The OEMs do grow at the same end but exports will rise at a faster pace in three to four years down the line, so the contribution from export site will be more.

**Deepak Poddar:** That's a contract manufacturing business, right?

**A:** Yes.

**Moderator:** We will move on to the next question, that is from the line of Aayush Agarwal from SMIFS. Please go ahead.

**Aayush Agarwal:** I am sorry, I missed your commentary in the last question. What is our contribution from domestic, international CRAMS business individually?

**Rahul Batra:** So the domestic will be 30% to 35% and our exports will be again 30% to 35% and the CRAMS will come down from 57% to 30% to 35%, although the CRAMS will grow at the same pace, since we keep on providing all the new product to all our CRAMS partners, but the revenue mix will be as such. As export business, we are doing very less right now and we expect the good growth in the coming three to four years down the line. So the export part will play a major role and revenue shift will be towards the export side.

**Aayush Agarwal:** And how much would international business be right now in absolute numbers of this contribution wise?

**Rahul Batra:** So we did Rs.21 crores this year.

**Aayush Agarwal:** In domestic business sir?

**Rahul Batra:** Domestic, we did Rs.55 crores.

**Aayush Agarwal:** One final question on our existing brands. So we say that we have more than 110 SKUs in the domestic market. So how much of top 5-10 brands or products would contribute to this Rs.55 crores of domestic business?

**Ashutosh Shukla:** 2 brands occupy Number one position, remaining six brands are among top five. All put together, if you see it contributes around 30% to overall sales.

**Moderator:** The next question is from the line of Santosh from Sky Research. Please go ahead.

**Santosh:** Wanted to know like if your company has plans to migrate to the main mode of stock exchange. I think last year, you said it could be migrating soon.

- Rahul Batra:** I love to answer this. Actually, we have been keeping ourselves so busy with the business performances. We are just focusing on the sales and the production side and on the expansion side. So we thought let's just focus on the business part first. So moving on to the main mode of migration can be done later also, but obviously 100% that is on cards, and soon we will come back to you on this. But right now, the focus is only and only business.
- Moderator:** The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.
- Aman Vij:** Sir, if you can give a rough margin range of the four segments, what kind of margins do we make in CRAMS versus export, versus domestic, versus API?
- Nipun Arora:** In CRAMS, we make a margin of somewhere around 18% to 19%. I am talking about the EBITDA margins. In own brands, we make a margin of somewhere around 30%-31%. In exports, we make a margin of 27% to 30%. In API, we make a margin of 24% to 26%.
- Aman Vij:** If you can talk about who will be our competitors into this same product categories, if you can name some players who are maybe much bigger than us?
- Ashutosh Shukla:** Our major competitors are Zydus Cadila, Intas, Dr. Reddy's, Natco, and to some extent, Cipla.
- Aman Vij:** They are big players in onco, but are they also present in the same products like we are in?
- Ashutosh Shukla:** Yes, yes, they are also present with the same product line. Apart from that, those companies are having the biologics also.
- Aman Vij:** Sir you have talked about our domestic sales will increase dramatically from here and also exports. So in domestic, what gives us confidence that we will be able to take market share from these big players?
- Ashutosh Shukla:** This we have been doing since last three years. Despite COVID, when the entire market was closed, the hospitals, the doctor clinics, everything, we worked very hard for new customer conversions to maintain the growth momentum. Now, we have very, very healthy customer base, that is one important thing. Secondly, we are available in all major leading hospitals in the country, not only the corporate hospitals, but even the government hospitals we are available. Thirdly, we are working very hard in penetrating tier-2 and tier-3 cities, which has given rich dividends to us in the past and it will remain in the focus for coming years down the line. And lastly, we want to focus in hematology segment and gain good market share there. As of now, the market share in hematology is low and we are on to it.

- Aman Vij:** So if our product is in the market versus a big player like Zydus or Natco's product, will our price be much lower than these companies products and if it is what is the range, so it's like 20% lower or are the pricing same across all the players?
- Ashutosh Shukla:** No, more or less the pricing is same if we compare with the competitors, but we have an edge over others because of the oral business, oral, definitely, our prices are even better than the competitors. Because for oral business, the patients take directly from the distributors, it is not driven by the pharmacy. When it comes to hospital pharmacy, they are definitely asking for margins, price is always very-very competitive, but when it comes to oral it is going directly from the distributors where we are selling the product at very good rates.
- Moderator:** The next question is from the line of Ashish Rathi from Lucky Investment. Please go ahead.
- Ashish Rathi:** The question is on CAPEX. What will be the trajectory? And also the tax rate Nipun ji if you can help me with that for FY'23 and '24?
- Nipun Arora:** The CAPEX which we have already incurred, you've seen that, it is somewhere around Rs.18, 19 crores, 7.5 crores in building and Rs.11.5 crores in machinery. Further, we are not adding any CAPEX other than just adding one line in API for the new GMP. And for that also we are having enough reserves, and if we need some say one or two crores from outside, we will have it from the bank, but otherwise we are self-reliant. You have already seen our cash and cash equivalents do not exceed the outside borrowings by at least Rs.1 crore. The taxation, we have already exhausted our MAT credit balance in this year. So now we will shift Beta from 25% to 22% and the other ones are already 22% tax bracket.
- Ashish Rathi:** Second question is to Ashutosh ji. What is the status on our hospital tie-up, how many hospitals are covered we have been able to crack in the year gone by? And anything major that is pending or we have penetrated now into all the major hospitals in India?
- Ashutosh Shukla:** As of now, we are available in all major corporate hospitals of country barring a couple of corporate hospitals. As far as private hospitals are concerned in tier-2 and tier-3 cities, there is still a lot of scope for product entries, which we are working on currently.
- Ashish Rathi:** How many you have cracked in this year?
- Ashutosh Shukla:** This year, we expect entry into at least 30 to 35 private hospitals and a couple of more corporate hospitals plus also we are focused in institutional business, like CGHS, army and railways.
- Ashish Rathi:** How many new hospitals that we cracked in FY'22 the year gone by?
- Ashutosh Shukla:** At least more than 30.

**Moderator:** We will move on to the next question that is from the line of Aditya Mohta, an Individual Investor. Please go ahead.

**Aditya Mohta:** Are you facing any supply side disruption from China due to current COVID outbreak over there as we are sourcing almost 30-35 KSM from there?

**Nipunarora** No, right now we are not facing any challenges in that, and I think in future also, if that is the case, we will find some alternative for it.

**Rahul Batra:** No, it is taking time, but everything is coming, so like maybe the delivery time is taking 30 to 40 days, earlier it was 25 days, but we are keeping enough inventory for that.

**Moderator:** The next question is from the line of Mr. Subrata Sarkar from Mount Infra Finance. Please go ahead.

**Subrata Sarkar:** So my question is as we told like we are planning for venturing into, like export market and possibly developed markets. So in that respect, have we done anything? Have we applied for the CGMP license and all those plant-related regulation and then in the molecule level also, have we applied for ANDA or DNA, so any update on that side number one? And number two, if you can help me to understand like, our top five and 10 brands, how much does they contribute?

**Rahul Batra:** So I will start with the export part. So yes, as I told clearly like on my initial talk, that we have filed all the registrations, and for the plant accreditations we have just started, and we have paid inspection fees for Brazil for ANVISA, which will cover the entire Latin American market, then we are having final audit from Colombia for INVIMA, that is on 15th of May, so that is also concluded, and then we have already filed the dossier for Thailand. So that will cover entire Asia and CIS. So PIC/S, INVIMA, ANVISA, all are online. For ANVISA and PIC/S, we are just waiting for the date confirmation from their side when are they coming for the audit, but for INVIMA, we have already the clearance and 15th is our final audit next month. And for the dossier part we already filed around 62 dossiers in different countries. And regarding the ANDA, we are not targeting US market as on today. So our major target market is Latin America, CIS and Southeast Asia.

**Subrata Sarkar:** So, as of now, we are considering on the developing markets basically?

**Rahul Batra:** These are regulated markets also because Brazil is very, very regulated and even Thailand and Southeast Asia is also very regulated, but as on today, we are not targeting US market for next two years down the line.

**Subrata Sarkar:** No, just to understand sir, like, I know we have not applied for CGMP from US or MHAI. But like the current plants, do you think that can qualify for like US or CGMP regulation basically?

**Rahul Batra:** If you ask me, our team is self-sufficient to qualify and plants are very good enough to qualify for these accreditations. But since I told you that we are taking the baby steps, whatever things which we have decided we will first capture these, first Asia market, LATAM and CIS market, then after that, we will be coming to the regulated markets like mainly Europe. Europe, we will be targeting only for APIs as of now for 2023-24. For formulations, Europe will be considered. The inspection, we will try to conclude by 2023-24, but the registrations again will start happening in 2024-25. Yes, the plant is capable enough, sufficient enough and plant can go for any approvals.

**Moderator:** The next question is on the line of Soham Das, an individual investor. Please go ahead.

**Soham Das:** So looking ahead, how will you the management team, articulate your strategy primarily would like some color in terms of how your incremental sales efforts are directed, where your incremental investment is channeled, and more importantly, where your mental bandwidth is getting allocated? I will conclude my question with one last request. If you can be so kind to articulate all the strategy, your ambitions, your right to win, etc., in detail in upcoming annual report, that would be great. Not implying any jazzy or fancy looking annual report but intense discussion will be very much helpful.

**Rahul Batra:** So, as our management bandwidth is concerned, see, the bandwidth is divided in different segments, like if we talk about Mr. Ashutosh, his bandwidth is totally on the sales side, so, how to generate the sales, where to get the sales, and how soon we can achieve this number and where we can achieve the number one position in these particular brands. So, his bandwidth is very clear, that is only sales, whether we talk about domestic or whether we talk about international. So, if we talk about the bandwidth of Mr. Nipun, our CFO, so, his bandwidth is also very clear that he has to get the lowest rate of interest, plus he has to get maximum cash reserve surplus for the company. Our bandwidth, me and along with my brother, we only think about new developments, so what is the product which is coming into the market, which product we have to develop, which line we have to select, then which are the product which can become a niche in the coming future. So we have already started working on those lines. So, we work on basically the international customers, getting those clients, building the relations with them, making them realize that yes, Beta is the only company of choice for them. Then second is only on the development part, how soon we can get the development, then how we can control this expenditure, we do not have to do much expenditure on the development part. These are the bandwidths already decided and we are working on the same bandwidth altogether.

**Moderator:** We will move on to the next question that is from the line of Rajesh Singla, an individual investor. Please go ahead.

**Rajesh Singla:** So, do you have any plans to enter the biosimilar market in the near-term or maybe say after two, three years?

**Rahul Batra:** See, biosimilar market always sounds very interesting and we have done a preliminary research on that. We are aware of the molecules which are becoming operated in next four or five years down the line. We know manufacturers who are doing that. We have taken the cost of production from them, we have taken the initial cost on them. Then we have also done the research on which other companies in which country they are coming up with the new biosimilars. Once there is an opportunity and we have enough cash flows to handle that, we will definitely look out for the biosimilars line.

**Rajesh Singla:** We are already growing at a very fast pace organically. So do you think that we can look for some more acquisition in the coming years to further accelerate our growth? And also, second question with respect to that would be like what stops you in guiding in terms of the growth rate above 30%, so why can't we guide for more than like say 35%-40% when we are already growing by 35%-40% in the past?

**Rahul Batra:** Alright, so let's talk about the guidance part first. So don't you feel excited, like the company has committed 30% and they are delivering 40%-45%. So it always gives an excitement, where that company is giving a number of 30%, but still growing at 40%-45%. We believe in a strategy of saying 30%, but would try to deliver best out of our system. So this is one thing which we have always focused on. Regarding the mergers, yes, we are open for this strategy. We are in connect with many of M&A people. And we have spoken to them, we have already given our consents also. In case we find any opportunity in oncology line where we find that this product or this acquisition can double our revenues and give us some good inorganic growth in the coming years, we will explore that opportunity and we will definitely go for it. So, there is no roadblock in terms of any acquisition. The mindset is very, very open and we will be open for any opportunity of that sort.

**Moderator:** Ladies and gentlemen, due to time constraint, that was the last question. I now hand the conference over to Mr. Batra for his closing comments.

**Rahul Batra:** Thank you so much, everyone, for attending the call. We know the situation that we are in COVID times, we do not know when a country comes under lockdown. So as for the last question, the guidance we give 30% is only for the reason that there might be some circumstances where we are not able to produce results. So 30% is our benchmark which we have taken which we will try to do. I'm not sure whether 30% is sustainable or not for next 3-4 years. We do not know the scenario right now. But the vision we have right now is that we will be doing 30% in next 3-4 years down the line and we will be achieving those sales and we will make our international presence more particular and we will show you the figures like where each and every segment has contributed. So this is what all. Thank you, everyone.



*Beta Drugs Limited  
April 28, 2022*

**Ashutosh Shukla:** Thank you, everyone.

**Nipun Arora:** Thank you.

**Moderator:** Ladies and gentlemen, on behalf of PhillipCapital(India)Private Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines.