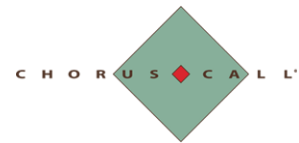




“Beta Drugs Limited

H2 and FY '23 Earnings Conference Call”

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MANAGEMENT: **MR. RAHUL BATRA – CHAIRMAN AND MANAGING DIRECTOR – BETA DRUGS LIMITED**
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MODERATOR: **MR. SAGAR SHAH – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and Gentlemen, good day and welcome to the H2 and FY '23 Earnings Conference Call of Beta Drugs Limited, hosted by PhillipCapital, 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 post the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touch tone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sagar Shah from PhillipCapital, India Private Limited. Thank you and over to you, sir.

Sagar Shah: Thank you, Melissa. Good evening, everyone. On behalf of PhillipCapital Private Client Group, I welcome all of you to the H2 and FY '23, earnings conference call of Beta Drugs Limited. From management, we have Mr. Rahul Batra, Chairman and MD, Mr. Nipun Arora, CFO and Mr. Ashutosh Shukla, Director Sales and Marketing. I now hand over the conference to Mr. Rahul Batra for his opening remarks and then we will open the floor for the question and answer for the Q&A. Over to you, Rahul sir.

Rahul Batra: Thank you so much, Sagar. Good evening, everyone. Thanks a lot for joining on the earnings call of BDL for FY '23. I'll start off with the consolidated revenue numbers. The total revenue from operations for FY '23, has jumped by 24% to INR227 crores from INR183.84 crores, as compared to the last year. The increase was mainly due to the continuous growth in the different segments. There was a 31% growth on the export side, 24% growth from our own brand sales and API has given growth of around 65%.

If we talk about EBITDA, if we exclude the DERMA impact, the EBITDA has grown by 25.04%, to INR55.92 crores from INR43.5 crores as compared to the last year. While the EBITDA margin has expanded to 25.04% from 23.8%, the positive impact has happened only because of the backward integration and the new innovations, which we have done over the last year. However, considering the impact on DERMA business, the consolidated EBITDA stood at INR53.88 crores. The consolidated net profit too increased by 24%, to INR30.72 crores from INR24.8 crores.

The overall gross margin has increased from 39% to 43% because of, again, the major, as a backward integration. This is because of the leverage, backward integration and our relentless focus on the cytotoxic segment only. Margins across the board have increased substantially over the last five years. In this, innovation and new developments have played a key role in becoming one of the fastest growing oncology companies in India.

Now, I'll take the key insights and the future roadmap. To start with, I'll start with the production capacity. This year has been a very phenomenal year, where we have increased our production internal capacities to a great extent. I'll start with BDL plant. The overall addition is mainly in the injectable side, where we have increased our lyophilized injectable capacity to 3x, which we were having earlier. We have installed one lyophilizer, which has tripled the capacity of the one, we had earlier.

Apart from this, we have also added more space to our warehouses and we have upgraded our instruments, in the micro and QC labs. These all expansions in BDL have been done to have further more regulatory approvals and to make the facility one of the best facility in cytotoxics in India. If we talk about Adley formulations, we have added more machinery in the oral block to enhance further production capacity.

There is one entirely new dedicated line for injectables, which has been added with two new lyophilizers keeping in mind, the domestic market. This capacity has further increased the production 3x to 4x. This has been done to take the load of BDL and concentrate mainly on the Adley formulation for the domestic market. The overall idea is to have the sustainable growth from all the segments whether it's from the domestic or it's from the international.

Now we talk about our API business. Coming on to the API, this year we have added around five GLRs, three SSRs, and six large conveyor lines. This is to increase the capacity not only for the domestic market, not only for the backward integration, but also for the exports. There is one line dedicated for the CEP filing.

The combination of this API and the formulation is the key for the growth of this group. Adding more lines in the API and supporting the quality and the documentation will further enhance BDL presence in the globe. Now I will take you towards the key insights, what has been done and what is the future roadmap for the company. Any company's growth depends on the research and development. So I'll take on, what research and development we have done and what are the plans for moving ahead.

Company's growth and presence is felt through the new research and developments. In the past three years, the company has launched many new molecules. Keeping in mind, the focus and importance of the new pipelines, this year we will be launching four to five new products, which will include all the first to launch and some of the off-rated products and some of the products, which have not been launched in India.

Not only this, we are also working aggressively from last one and a half year towards a new drug delivery system, exclusively in the cytotoxic range, out of which, three molecules or four molecules will be launched by this year end. There has been a continuous development going on towards achieving on delivering the new and innovative delivery systems.

The core strength of our development team is matching up the process of becoming one of the pioneers in cytotoxics. The journey, which started by my father, will shape up, as a leading and one of the premier oncology company in India, in the coming years.

Now, I'll take up the business segment-wise. The most important is our domestic sales, in our own brand. On the domestic sales front, we at BDL have the most enthusiastic and committed family of people, who are putting their best efforts to make Adley BDL, a brand in the market. The launch of our new products, this will enhance our presence in the remaining set of hospitals and the doctors, which are uncovered as of now. Today, we are mostly present in all the corporate hospitals, but still, there is a lot of room to be played.

This division, this oncology, is the fastest growing segment across the globe. So now, we are focusing, in the coming years, our main focus is towards the major cancer treatment institutions, that are mainly, the regional cancer centers, the Tata hospitals and the railways. Already, we have got some go-through with these institutions. We will make our presence felt with our dedicated team, in the coming years. The own brand, is one business, where we have shown our strength, in the last five years. This will continue to grow at the same pace.

Now, coming on to the international business, exports. This year has been an exceptional year, where BDL has achieved one of the most regulated approvals, that is Anvisa from Brazil. Anvisa is one of the most important audits, as it is a part of PICS, which is accepted across all South-East Asian countries, mainly Thailand, Vietnam, Malaysia, Indonesia, Philippines, Korea. It is also accepted in South Africa, Iran and entire Latin America and South America market. And thus, we need not require any further audits from these countries to get penetrated. This has opened up our doors to get the products registered in these countries.

We have already initiated the business development activities and have signed our agreements with most of the clients in different countries. We have started filing the dossier and most importantly, the good number of dossier will be filed in the next coming months. We expect to file our doses for injectables in the next two months. Our regulatory team has been, there are a lot of people, who have been added in the regulatory team and they are aligned and focused toward doing the filings ASAP.

We have filed around 77 dossiers in last year and this year, we plan to file close to 150 dossiers in all these countries. Also, BDL has finished its pre-audit for EUA, that is Euro Asia and the final audit is planned in the first half of this year. Maybe before, it can be concluded in the month of June, July or August. The business development activity in these countries have also been done already and we have already signed some agreements in two or three countries. The major focus after EUA audit will be Russia, Belarus and Kazakhstan.

Last but not the least, this year also, we got our pre-audit done for EU. So, we have got the deadline from the EU from between October to February next year. So, this year, we might prove with our EU audit, if in case any dates change, we will inform you accordingly. So, the international business is one of the key business, where we see our growth coming up in the coming few years.

Filing these many dossier and with the four dossier, which have been filed, the business will be generated in the coming eight months to 10 months. Maybe some country can take the dossier registration time between 10 months, some can take between 24 months, some can take between 10 months to 12 months also. So, depending on the timelines of the dossier registrations, we will be getting the business assets.

Most importantly, which has been done in the international market is that, the injectable line is approved. Once we have got the injectable line, it means that the injectable line is one line, where we don't require any bioequivalence done, which we require for the orals. So, it's easier to get injectables registered as orals take more time to get registered. So, this was overall for the international business.

Now, coming on to the API business. We have expanded our production capacity 3x as discussed earlier and now we aim to focus to get CEP approvals, which we will be starting by this year end. Also, we have started our discussions in 12 countries to export our API products, in all the semi-regulated markets. We have developed four new molecules in the last year and keep on further developing this year as well. Adley lab API has been the most focused area of our developments and as this gives lots of strength to the formulation business, whether it's domestic or international.

Coming on to the CDMO business. We acknowledge our CDMO partners. On the CDMO business front, we are committed to give the best quality and all the new products to our partners. We will further enhance our partnership by increasing the portfolio of the products. We have been continuously delivering the product to our partners with the same quality and pace. To further enhance our deliveries, we have increased the capacity and added some more lines. We will continue to be preferred choice for our oncology partners in India in the oncology manufacturing.

Last but not the least, the dermatology. Dermatology, we entered nine months back. Today, we are at a verge, almost at a verge of getting into the break-even. We have got a good team, good professional team, who has started this dermatology. There are total product of around 12 products, which we are marketing currently. Out of that, one niche product which we have launched that is hair growth serum, on the name of ReCapro. We intend to make this Recapro, as one of the leading brand in India in coming years, down the line.

We at BDL is a team of professionals, who understand the concept of marketing and selling. It's been months, we have ventured in this dermatology. Dermatology and cosmetology is one of the most fastest growing segment across India, with a market size of around INR14,000 crores.

Today, in this scenario, in this world, every women want to look beautiful. So, where the cosmetology comes an important part of their daily routine. They go to doctors, they spend. Whatever money they want to spend but they want to look beautiful. So, seeing all these things in mind and having the expertise, we have in terms of the sales and marketing, we ventured in dermatology.

We have laid down our plans and have started executing those well. Whether the plan includes the number of prescribers to be added in the list, number of new innovative products or further to enhance everything, having our own plant, for the dermatology in the coming year. The division will soon be an EBITDA positive and in next three years to four years, we will be focusing on two brands, which will be having a noticeable size in the coming future.

Last but not the least, sales is not a rocket science. It is just a commitment of a group to make it happen. We at BDL, are committed to do it. We have done this, in the past. We know the super specialty division very well and this is how, we are going to shape dermatology as well. With this, I conclude our brief on the past achievements and future roadmaps to achieve the numbers. Thank you so much.

- Moderator:** Ladies and gentlemen, we will now begin the Q&A session. We have the first question from the line of Ashish Rampuria, an investor. Please go ahead.
- Ashish Rampuria:** Thank you for the opportunity. A couple of questions from my side. One, our receivable has grown significantly, disproportionately vis-à-vis revenue. So, any thoughts around that?
- Rahul Batra:** Nipun, can you answer?
- Nipun Arora:** Hi, Ashish ji. If you see our six-month financial, that was six months ended 30, September. The days receivable were 96. So, after this 96, now we are at 100. So, I don't think, four days is a very big number compared to the revenue.
- Ashish Rampuria:** No, fair point. I was comparing it from FY '22 vis-à-vis FY '23.
- Nipun Arora:** See, as the revenue will increase, these days will be continuously increasing by one day or two days or three days-four days. But this is normal. I don't think, this is a very unusual thing.
- Ashish Rampuria:** Okay, fair point. Second question, in the investor presentation, a CDMO business grew by about 30%, Y-o-Y, rest all three segments have done very well. Any color, you want to share on CDMO business?
- Rahul Batra:** CDMO business is one business, where, actually market is same, for everyone. And if you go on increasing the CDMO business, some companies will shift some business to other companies, where they are not getting price margins. But CDMO business, in spite of all odds, have grown up by 13%. CDMO business will grow at a size, where this CAGR will improve in terms of oncology market. So, if the CAGR is around 15%, the CDMO business will increase around 15% only. As compared to our own international business and our own brands, where the scope of the business and the scope of achievement is more.
- Ashish Rampuria:** Got it. So, should I assume that own brand, international and API are the ones, where we will see growth going forward and higher growth going forward?
- Rahul Batra:** Yes, all those three segments will grow at a much faster pace as compared to CDMO. CDMO will keep on growing at a 10% to 5% as compared, it is equivalent to the CAGR of the oncology market.
- Ashish Rampuria:** Got it, okay. Going back to my receivables point, should we assume as investors that our receivables will be in the range of 95 days, 100 days or is there some plan that we want to bring it?
- Rahul Batra:** There are certain plans that we will reduce these number of days. Actually, you can well understand that at closing, any pharma company if you pick, the major sales happened in the last 2 months -3 months. So, this is once because if you talk about CDMO business, you talk about government institutions, they don't pay you in the month of March. Every company wants to constrain their money in the month of March. So, whatever payment collection comes, that comes in the month of April. Even you talk about government business, even you talk about CDMO also. So, those collections have come in the month of April. So, every time

you see, in the month of especially February and March, most of the sales will happen and the payment will be stopped on those months because of the financial year ending. And this payment will be realized in the month of April.

Ashish Rampuria: Okay. So, if I may ask, this INR62 crores odd closing that we had on 31, March 2023, what would that number be approximately at this point in time? Even an approximate will do.

Rahul Batra: Nipun?

Nipun: Ashish ji, normally it will be ranging between say 95 days -105 days. So, you can very well calculate whatever the sale would be, it will be somewhere around say 95 days-105 days range. And I will tell you what, there was a big customer of ours who keep on telling us that I cannot pay in March. And a huge payment came in first week of April. So, this usually happens.

Ashish Rampuria: Continue, that I understood, Nipun ji. But my question was, would that INR62 crores at today's point in time to create a balance sheet? Would it be less than some INR50 crores odd? That was my question.

Nipun: No, no. I have answered that the debtor days will be ranging between 95 days -105 days. So, if the revenue is increasing in that range, say the revenue this time was INR227.crores If the revenue has increased say to INR300 crores, then it will be, you can calculate well that 95 days -100 days...

Rahul Batra: If I calculate 100 days. So, you have to think like that.

Ashish Rampuria: Got it. Sure. Okay. Thank you.

Rahul Batra: Obviously, it cannot reduce if revenue is increasing.

Ashish Rampuria: Yes. Got it. Thank you.

Moderator: Thank you. Participants, if you have a question, you may enter star and one. We have the next question from the line of Soham Das from Aegean Sky. Please go ahead.

Soham Das: Hi. Am I audible?

Moderator: Yes. Please go ahead.

Soham Das: Thank you. Hello, Rahul sir. It's an interesting set of numbers and congratulations on that. What I was thinking about was that you have seen an immense increase in the capacity all across the board. You are launching new products, about 25 across Solid and Chemo portfolios. Plus, you are cracking into new regulatory markets. And yet, you are just grinding for an additional INR200 crores addition on the top line for the next three years. Does it not seem like the management is undershooting the business potential?

Rahul Batra: See, it's not about undershooting the business potential. To be very honest, in the last five years or seven years, we have been totally dedicated to oncology. We now understand the oncology market very well. And, creating a brand is something very different and it's very

tough. So, each segment has to contribute in that manner. The target which we have taken, doubling the sales in the next three years, keeping in prospect all the segments very-very intensely. So, if we talk about our own brands, we tend to achieve around INR140 crores - INR150 crores odd business in the coming three years. If we talk about exports, where we see our major thrust lies, getting these approvals, these regulatory approvals, is one of the toughest things in the market.

Today, if we talk about oncology-approved plants in India, there are not more than eight plants or ten plants who are PICS-approved, not even eight. So, we have all those leverages available. We will try that we will get the maximum business out of it. But sometimes things do come in a fray that, see, no one wants to do less business. No one has a lesser aim. We always want to do more. But there can be constraints tomorrow, that the prices can go down, then some of the doses have not been completed fully, that these are the bioequivalent required to be registered.

So, keeping all those prospects in mind, we have shaped up the number for exports. Keeping the API business in mind, where we added our capacity in a bigger manner, that whatever business we are going to produce for the formulations, we need to support from the backend. So, we have increased the capacity for API to support our formulation. This is just one thing.

The other part of the API business where we want to expand is the direct marketing, whether it is in the terms of domestic market or it is in the term of exports. So, we have already started communicating with 12 of the countries, where we want to export our business, export our APIs also. So, this is not about restricting ourselves. This is about having fair targets, which a team can achieve, where everyone should feel motivated.

Soham Das: Granted. I understand that. On that note, can you please tell me what is the current selling and marketing distribution expenses that our company is incurring annually?

Rahul Batra: Nipun?

Nipun: Yes, I am telling it.

Soham Das: And do we see any growth coming on that in the coming years in our path to INR450 crores?

Nipun: Yes. So, our selling expenses are somewhere around 3.5%.

Soham Das: 3.5%. So, now that we are trying to crack into new markets, do we foresee an expansion in this percentage?

Rahul Batra: Yes, the expenses will grow further, but on the same time, the revenue will be 4x the multiplication of the expense we will be doing. So, the selling expenditure...

Moderator: This is the operator. Mr. Batra, we lost your line. Please proceed.

Rahul Batra: Yes. So, I was telling that the selling expenditure will be on the same line. Rather, it can increase by 1% or 1.5%, but on the contrary, the sales volume will be on a higher side.

- Soham Das:** Right. Got it. So, the percentage -- the proportion of the revenue will be more or less similar or in line with the current one.
- Rahul Batra:** The guidance is safe. The EBITDA margins will remain close to 25% to 26% once we achieve these targets. It can go up further also, but this is what the bare minimum we are targeting.
- Soham Das:** I'm done. Thank you.
- Moderator:** Thank you. Participants if you a question you may enter star and one. We have the next question from the line of Darshil Jhaveri from Crown Capital. Please go ahead.
- Darshil Jhaveri:** Hello, sir. Thank you so much for taking my question. I hope I'm audible.
- Moderator:** This is the operator, sir. If you could use the handset, Mr. Jhaveri.
- Darshil Jhaveri:** Okay. Is this a bit better?
- Moderator:** Yes. Go ahead.
- Darshil Jhaveri:** So, congratulations on a great set of results. And, they are good. And you have amazing growth targets. So, I just wanted to know this, our growth would be a bit linear in pace or because we are waiting for some approvals in other countries for our exports. So, maybe we could see higher end of the growth in FY '25 rather than FY '24. So, how would our growth range be in the next year? And at what level would our EBITDA margins be at 25%-26%?
- Rahul Batra:** Okay. So, the growth rate will be same. It will be a continuous growth for three years. It will range between 25%-30% in the coming three years. It is not like only in FY '25 we will get the 40% growth and this next year we will get around 15% or 20% odd growth. No. The target is that the growth trajectory which we have been maintaining over the past three years-four years, the same trajectory we will be maintaining for the coming three years down the line. And coming on to the EBITDA, the EBITDA margins will cross around 26%. And this is the bare minimum which, as I told earlier also, we are targeting. We will see an impact of EBITDA growing beyond 26% also, provided all these things shapes up nicely.
- Darshil Jhaveri:** Okay. That's great to hear, sir. And so, just one more question if possible. I just want to ask, what kind of risk do we see in achieving? What could be a speed bump to our path of growth, if any, that you could see?
- Rahul Batra:** Risk or the speed bump, we can only see if we guys become reluctant and we become lazy. So, as of today, I myself am 39 years old. Varun is 37 years old. Mr. Ashutosh who is driving sales and marketing is 44 years old. And Nipun who is the CFO is around 39 years old. So, we are actually a very young company. And to be very honest, we start working till 8pm, 9pm in the night. And we don't feel ourselves reluctant.
- So, the risk only factor we see tomorrow, we become lazy. And we don't think that we are of that nature and we have been nurtured up to that level that we become lazy tomorrow. Otherwise, risk factors in terms of, we have covered entirely. We were experiencing some risk factors 2years 3 years back when the intermediate supplies were stopped from China, when the

API was not coming on time. Then immediately we put a stop hold and we increased our API capacity also. Now, we have almost covered our risk points. But tomorrow, we don't think so. There is any point of stretch where we see that can be a major hurdle for us.

Darshil Jhaveri: Thank you so much. That helps me a lot. And great to see such a young company. All the best and all the best for our future results.

Rahul Batra: Thank you.

Moderator: Thank you. We move to the next question from the line of Tarun Batra from Ticket. Please go ahead.

Tarun Batra: So, my question is, what are our top 3 brands in the market and how much is the contribution of those to the revenue?

Rahul Batra: Ashutosh ji.

Ashutosh Shukla: Yes, I would say our top 5 brands. In fact, they are contributing around 40% to the overall sales. And those brands are AB pacli, Fulvesterant, carfilzomib, Enzalutamide, Carboplatin. So, these are the major brands, which is contributing around 40% to the overall sales.

Tarun Batra: Are we also planning to take them to say something like bigger like say INR30 crores, INR40 crores, INR50 crores brands?

Ashutosh Shukla: In Cytotoxic, it is very difficult to make a INR30 crores brand. Yes, we are planning with certain molecules in future, which we think that, we can make it a INR10 crores plus brand. But as of now, INR30 crores looks like a very distant thing, because if you see any cytotoxic molecule, the biggest molecule is close to around INR80 crores. Right, 30% is as good as like 40% market share, which is extremely tough because the number of players in the market are very high.

Tarun Batra: Okay, thank you.

Moderator: Thank you. We have the next question from the line of Satwik Jain from Generational Capital. Please go ahead.

Satwik Jain: Yes, so the other expenses, if we compare year-on-year, over the last six months versus the same time last six months, we have gone up by around 40%, 45%. So could you shed some light on that? Although it is an INR12 crores number, but still if you could shed some light on that, as we are scaling up, so it would be helpful?

Nipun Arora: Hi, Mr. Jain. Sir, in these expenses, there are travelling expenses also. There are business promotion, conferences expenses and there are legal and professional expenses, some repairs. So that's why, if the turnover have increased, so if I consider the percentage of turnover. Yes, it has increased by 2%. So there are few expenses, which have increased and moreover, selling expenses are also coming in this segment only.

- Satwik Jain:** Okay. So yes, as we scale up and internationally, the marketing expenses, they would be coming under this only. So that would be obvious?
- Nipun Arora:** Yes, all the marketing expenses, freight outward and these conferences expenses.
- Rahul Batra** Even I will add on this. In the last year, particularly last year, we have participated in three international conferences. So that expenditure has been put in this. Moreover, the travelling of international people, it has increased a lot. Because you can't sit in the office and just sign an agreement, you have to see the distributor, you have to see a partner, who is promoting. So that travelling has also increased. So this is somehow will be remaining at the same percentage as the sales progresses.
- Satwik Jain:** Understood. And the second part, although the first question was regarding this only. So currently, our receivable DSOs are around 100 days. So I was just wondering like in the past, have there been like any credit losses? And what is your guidance on this, like in future also it will be maintained and this or it is somewhat riskier that, we try to reduce it down in the future?
- Nipun Arora:** Sir, I have answered this question. But I'll again answer this. So if I compare it, to the 30, September 2022 results, it has been moved by four days only. Somebody asked me like, can it be reduced from the number of 62? So I told him that, if we are targeting towards INR270 crores or INR300 crores, whatever the target is, if you take 90 days of that, that will come to around INR74 crores. So in any case, it won't be reduced, but we'll try to make it in the range of 95 days to 105 days that, we are sure.
- Satwik Jain:** Understood. And on the credit losses side, so in your nature of business, they are very, very low, that say the payments are not received, that kind of thing?
- Nipun Arora:** In the creditor side, you are saying?
- Satwik Jain:** Yes.
- Nipun Arora:** In the creditor side, see lot of raw material comes from China in which we have to make some advance payments also and there are some raw material in which credit period is very less. So that makes the difference. And on the reverse side, we have to give credit to our CMO partners, we have to give credit to our institutional partners. So that makes the difference. Otherwise, if you see the working capital days, these are gone up by only four days, five days.
- Satwik Jain:** Correct. And so that was all from my side and there was just one request that, as we scale up and we would soon be moving to the main exchange also. So just that, if we could possibly look at a quarterly update and a quarterly earning call, so that would be helpful for the investor community at large? We are thinking on that line, sir. As soon as we migrate to main board, so obviously we have to do that. That's a requirement.
- Moderator:** Thank you. We have the next question from the line of Lunpak Choudhari, an Individual Investor. Please go ahead.

Lunpak Choudhari: Sir, first of all, congratulations on a good set of numbers and the movement of growth continues. Sir, I want to understand, what type of investment on every year required for growing 25% or 30%?

Rahul Batra: So there are two types of capex. One is coming up with a new plant and going towards that target. One is doing an internal capex. So the internal capex, which we did the last year, was close to around INR18 odd crores. So that was equally divided among the three companies. Whether you talk about BDL, whether you talk about Adley Formulations or whether you talk about Adley Lab. So we have done equal investment in all the companies.

Now we see a lot of leverage available. The reason, we invested a lot of money in Adley Formulation was because Beta Drug, we just want, that plant to be focused only on the regulated markets. And mainly on the Indian, who are Indian MNC, CDMOs, partners. And for domestic market and for the small pair, we just want Adley Formulations to be a state-of-the-art facility, where we can, we are also supplying from the Adley Formulations to two countries, three countries.

So this facility, we have just dedicated to, for the domestic market. And the API side, if we see, we have invested around INR6 crores, we have added around four reactors or five reactors, three glasses, four glass assemblies. In that particular line, putting all together, we don't see now major capex is coming in next two years to three years to achieve the top line, which we have indicated for FY '25, FY '26.

Lunpak Choudhari: So no fund raising plan, I think from?

Rahul Batra: No fund raising. Even though INR18 crores also what, we have spent in the last year for the capex, that has been done from internal cash accruals only.

Lunpak Choudhari: Right. So what is the net debt now, if you can tell?

Rahul Batra: The Company is debt free.

Nipun Arora: I'll answer that, Rahul ji. The net debt, rather, it is INR3 crores positive. The total debt on the short-term borrowing and long-term borrowing side is INR16 crores whereas we have a cash-in-cash equivalent of more than INR19 crores. So we have positive cash by more than INR3 crores.

Lunpak Choudhari: Right sir. And in this year, employee cost has increased a lot, so are we building for future capacity? Any comment on that, employee cost?

Rahul Batra: Employee cost has increased because more and more professionals have been hired this year in terms of QC, in terms of QA, in terms of marketing, in terms of sales, in terms of finance. Lot of new people have been added and this is a continuous process. Tomorrow you want to go to the international market, tomorrow you want to be a leader, tomorrow you want to be one of the pioneer then you have to have a good human resource. So this is how the employee cost has been increased.

- Lunpak Choudhari:** Okay, and sir, what type of growth you are seeing on particular oncology segment in the next 2 years-3 years? As I have read various reports, the cancer patients are increasing.
- Rahul Batra:** Yes. Oncology is one segment. Actually, oncology is the fastest growing segment across the globe. The number of patients who have been detected by cancer is increasing tremendously. So the scope of this oncology is huge. Cytotoxic plays a very important role in giving a treatment to a patient. The first line therapy, the first line treatment is Cytotoxic only. So we as a company have attained that position that we are one of the leading manufacturers in India. Now we want to attain this leadership position across the globe also. So that's why we are only focusing on oncology. Apart from that, we have launched dermatology, which I have already discussed in my beginning speech.
- Lunpak Choudhari:** Right. So we can expect 25%-30% growth for the next 2 years to 3 years. There will be no major hurdles as per management?
- Rahul Batra:** We don't see any hurdle coming across 2 years to 3 years in achieving this target which we have framed for FY '25- FY '26.
- Lunpak Choudhari:** Right. And one request I want to make to the management. If the result numbers can be given in lakhs or crores, it will be very helpful. It takes a lot of time to convert them into crores and all like that. Because now numbers are given in rupees our revenue is increasing. I think next year we are going to cross INR30 crores of top line. So if that's possible?
- Nipun Arora:** Okay. We will definitely consider this. Though it is a requirement of ROC that now the numbers have to be given in lakhs. So if you download our balance sheet from MCA site, it will be in lakhs only. But we will definitely consider your request and we will try to make it in lakhs only.
- Lunpak Choudhari:** That's all from my side. And one more question sir.
- Moderator:** This is the operator. Mr. Choudhari, you will have to come back sir.
- Lunpak Choudhari:** Okay. Fine. Thank you for the opportunity.
- Moderator:** Thank you. We have the next question from the line of Ranveer Singh from Nuvama Wealth. Please go ahead.
- Ranveer Singh:** Yes. Thanks for taking my question. I am Ranveer Singh from Nuvama. So first of all, thanks for giving this good set of numbers. And I think the kind of group figure we see, that gives confidence that probably we will reach the guidance you have been giving. Just two or three things from this result I wanted to understand. In this year, in the second half of the full year, what was the contribution of the Derma segment in revenue? And what was the gross margin there?
- Management:** The total revenue from Derma was INR3.75 crores. And the EBITDA negative was INR2 crores.
- Ranveer Singh:** This was EBITDA negative. I wanted the gross margin...

- Nipun Arora:** For the whole year.
- Ranveer Singh:** Gross margin or gross profit I wanted. Because I understand as we scale up, that will change...
- Rahul Batra:** Nipun, can I answer that question?
- Nipun Arora:** Yes, Sure.
- Ashutosh Shukla:** The gross margin was 65%.
- Ranveer Singh:** Okay. That's fine. So going forward, I think once we scale up, our EBITDA margin should be in line with the overall company's EBITDA margin currently here. That is what we can make in the next two years, three years. Can we expect that?
- Rahul Batra:** Yes. 100%. Absolutely.
- Ranveer Singh:** Okay. And in presentation, you also mentioned that in dermatology, we'll be having our own manufacturing setup, maybe next two years. So what kind of capex that will require? If you could give some indication here.
- Rahul Batra:** So the dermatology doesn't require a huge capex. The total estimate which we have is close to around INR20 crores odd. That includes three lines, one in the pharma grade and two in the cosmetology. And apart from that, there will be one separate, QC and micro lab. So the total overall estimate is close to around INR20 crores for dermatology. But this process, this plant, we will start building once we have the confidence of being into EBITDA positive for a good six months, eight months. And particularly for this plant, we don't need any capex from outside. We'll be arranging it from our internal cash flows only.
- Ranveer Singh:** Okay. I understood. And last month, we got approval from Colombian authority. So was there any sales here in this quarter due to this approval? Have we been able to sell something there in Colombian region?
- Rahul Batra:** Sorry, I didn't get your question.
- Ranveer Singh:** Colombia approval we got last month. So have you been able to sell something there or still we are in process of filing and it will take some time?
- Rahul Batra:** So Colombia INVIMA, we got that was in May and last month we got that was Anvisa. The audit was done in the month of March and we got the certification last month. So INVIMA, we already cleared in the month of May and we started filing out dossiers in the month of August. So, today as we are talking, we have already put around eight dossiers for submission and we are expecting around four dossiers registration within next 10 days to 15 days. So till now, we have not done any sales in Colombia, but the sales will happen in the month of, we are expecting in the month of June.
- Ranveer Singh:** Okay, June, this is next month, we are expecting this.

- Rahul Batra:** Yes, We've already got the projection from our partner there in Colombia, and he has shared. He has already shared the pro forma with us. We're just expecting the registration certificate to come out. As soon as the registration certificate come out, we'll be supplying the goods next month there.
- Ranveer Singh:** Okay. Fine. And you said that it takes around 10 months to 12 months to convert dossiers to sales that's what filing the dossiers and...
- Rahul Batra:** We filed in the month of August and we got the registration and we'll be getting the registration in the month of May. So it took around eight months to 10 months to get the registrations. So we have already filed eight dossiers. Now we are in the process of preparing some more dossiers. And the best part is that last month when we got ANVISA triggered and for INVIMA we didn't get injectable triggered but for ANVISA we got the whole plan triggered. So now today we have the injectable line also approved for INVIMA for Mexico, for Brazil. So now we'll start filing dossiers for injectable in Colombia in Mexico in Brazil also.
- Ranveer Singh:** Okay. And post registration we'll be able to supply if we get the client there.
- Rahul Batra:** We already have a client. In Mexico we already have a client. In Colombia we already have a partner. Almost in 12-15 Latin American countries we have a partner. We have already done the business development activity. We have already finalized our partners there.
- Ranveer Singh:** Okay. That's great. Thanks a lot. Just one last if I can, in API export in API business was there any export element, direct export of API?
- Rahul Batra:** Yes. We did one export shipment to Algeria. And just now we have got one order from Pakistan. And now we are making some, we have just entered a contract where we are supplying some items to Bangladesh and Russia. So API exports will take another one month, one and a half month we'll be through with three, four countries.
- Ranveer Singh:** And what would be the quantum, the amount of export?
- Rahul Batra:** This year the total expectation from API exports we are expecting close to INR3 crores to INR4 crores only.
- Ranveer Singh:** Okay. Fine. Thanks. Thanks all the list. And that's it from my side.
- Rahul Batra:** Thank you.
- Moderator:** Thank you. Before we move to the next question, we would request participants to limit their questions to two during the initial round. We will move to the next question from the line of Chirag Fialoke from RatnaTraya Capital Please go ahead.
- Chirag Fialoke:** Hi, good afternoon Rahul, Nipun. Thank you so much for the opportunity and congratulations on the continued execution. Just two minor questions. One is on the next 24 months. I believe we don't foresee a large capital expenditure, but from a maintenance capex and just a routine capex perspective, what will be that number? That will be the first question.

Rahul Batra: Chirag, I'll tell you one thing in pharma, there is a continuous scope of putting some capital involved in terms of extension, in terms of maintenance. So that will be a continuous number, today as we stand. But we don't see any major changes required in terms of any facility. We don't see any AHU is required, any panels required, any increase of warehouses required.

So as on today, we don't see anything. But tomorrow, we get one good consultant. He comes and he says, Okay, this area needs to be expanded. Then we do that. So as on today, we cannot tell you that, how much money will go in for the expansion or for the maintenance. But in pharmaceuticals, that's a continuous process and it will happen for the next two years, three years.

Chirag Fialoke: Sure. But the major expansion is behind us is what?

Rahul Batra: The major expansion is behind us. But it will keep on expanding, we will keep on doing some maintenance work, we'll keep on adding some more instruments, we'll keep on adding some areas or we may keep on, have to add some more AHU to somewhere. So this is a continuous process.

Chirag Fialoke: That is right. Thank you. Just one second question is on the branded side. Though we've executed beautifully in the last one year and a half years, the total branded sales for the last three reported periods, six months ending '22, six months ending September '22 and then six months ending this March '23, that has been broadly in the range of INR30 crores odd to INR35 crores odd.

Anything to read into that or is the six month period, too small to sort of really gauge anything? For these three last six months period, broadly, we've been in the range of INR31 crores to INR35 crores for the branded business. I'm just wondering, whether there is any commentary around that?

Ashutosh Shukla: Yes, from this H1, we are planning to make it up 40 plus. And H2 will be even bigger than that.

Chirag Fialoke: Understood. Sir and to your earlier comments, where you said that, five brands are 40%, are the top five brands also? How much slower are they from the overall growth? Would you be able to give, I understand, you can't share the exact numbers, but broadly, are they much more slower than the overall branded growth?

Ashutosh Shukla: Like these five brands, as I said that, they are contributing around 40%. So their growth is close to around 12% to 14%. And the remaining growth has come from the new brands and the other molecules.

Chirag Fialoke: Understood. Thank you so much. Congratulations to the team for continuing.

Rahul Batra: Thank you.

Moderator: Thank you. We have the next question from the line of Sachin Doshi, a Self-investor. Please go ahead.

Sachin Doshi:

Thank you for giving me the opportunity. My question was in line with somebody who asked about the risk factors that, you foresee for achieving the growth target for 2026. So if you could give us some more color in terms of, where this growth will come from in terms of, whether you have any long term contracts and what will be the contribution of your own brand, the Crams business, the Derma business. So if some more color on this line, it will be really helpful? That was my first question.

Rahul Batra:

So the overall target, which we have set for FY '25, FY '26, where we see the major contribution to comes, in terms of the growth, not in terms of absolute number. In terms of growth, we see from the export side. Second, we see from the own brand side. Parallely, we see from the API side in the domestic market. Today, as a standalone, we are manufacturing around 34 products in oncology API, which in India, hardly any company is doing this.

So we see a lot of sales coming particularly from the API side also. Of course, they will be, as I discussed earlier, the CDMO business will keep on growing at a rate of 10% to 12%. The growth, major growth driver will be exports, our direct international exports, our own brands, and third, is the API business. So in terms of the own brands are concerned, how we will be achieving is, as rightly said by Mr. Ashutosh, that the drivers will be our top five products, which will increase on every month-on-month basis, plus the new products.

This year, we are launching four new products. Those will be the first to launch in India, plus we are in the process of developing four NDDS products. These products will be launched by December end. So these NDDS technologies, what we have developed in-house, will drive the future growth for the domestic market.

Sachin Doshi:

Just to follow up then, so you are basically planning your growth by assuming that, you will be filing the dossiers and you will be getting the approvals. So that is one of your assumptions that, you will get those things on time and you will get the approvals as well, to achieve that growth target. Is that a fair understanding?

Rahul Batra:

See the thing is, the first step is to get a plant accredited. So today, we have got a PICS certification. That was the first step. After this, your regulatory team should be strong to have a complete dossiers, which can be filed in different countries. Today successfully, we have completed the submission of our eight dossiers in Columbia market. Columbia is one of the regulated markets.

Again, as we talked, we are in a process of finalizing six injectable dossiers. So now these injectables filing will start. So, it is not an assumption basically, it is a calculation. Maybe the calculation can go beyond, if I am assuming that, 10 months to 12 months, it can go from 12 months to 16 months, but it has to happen. The time frame can be different. It can vary from four months to six months, but 100%, the registrations will come and the business will start on these aspects.

Sachin Doshi:

Thank you. And just one last one. The question is that, you mentioned about, the Mexico filing the COFEPRIS one. So is that true or where is that?

- Rahul Batra:** After ANVISA, Mexico accepts ANVISA approval. So Mexico, Malaysia, Thailand, Vietnam, South Africa, Iran, all these countries accept ANVISA approval. So we have already got ANVISA. So now, we need not to have an audit from these countries. We can immediately go for a desktop documentation approval and we can start filing our dossiers there.
- Sachin Doshi:** So what about Mexico? You mentioned that, it was planned for November '22? So. I am...
- Rahul Batra:** So it was planned for November '22, but since, we have already got Brazil now, we don't need to go for a COFEPRIS audit now.
- Sachin Doshi:** Okay. All right. That was the two questions from me. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Sagar Shah for closing comments. Please go ahead, sir.
- Sagar Shah:** Thank you for your valuable time and especially the entire team of Beta Drugs Limited. Rahul ji, before we close, would you like to make any closing remarks?
- Rahul Batra:** Yes, Sagar ji, please. Thank you.
- Sagar Shah:** Yes, proceed, sir.
- Rahul Batra:** This year, FY '22, FY '23 was an exceptional year for us. We have seen a lot of audits coming this year, where we have seen pre-audits for Europe, where we have seen pre-audits for Eurasia, where we have completed and successfully got audit done for ANVISA. So this year was basically, you can say, a breakthrough year for us. Maybe the numbers of INR4 crores, INR5 crores have not been attained by us, but in future, we are seeing these numbers to grow very rapidly.
- Along with this, not only, we talk about accreditations, but today as oncology, we stand one of the pioneers in developing all the new molecules, new FTLs, new NDDS. Last couple of years, we launched good NDDS, which have got a good acceptance in the market. And we are in the process of giving some good NDDS to the oncology market in coming one and a half years. So those products will have some niche segments, will come up with a brighter moon, and we will be depreciating ourselves from the oncology manufacturers who are prevalent in India. So that was my concluding remarks. Thank you all.
- Sagar Shah:** Thank you so much, Rahul ji.
- Rahul Batra:** Thank you everyone.
- Sagar Shah:** Thank you and have a good day.
- Moderator:** Thank you, members of the management. Ladies and gentlemen, on behalf of PhillipCapital India Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.