"Beta Drugs Limited H1 FY24 Earnings Conference Call"

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MANAGEMENT: **MR. RAHUL BATRA – CHAIRMAN & MD**
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MR. ASHUTOSH SHUKLA – DIRECTOR (SALES AND MARKETING)

MODERATOR: **MS. RENUKA, PHILLIPCAPITAL PRIVATE CLIENT GROUP**

Moderator: Ladies and gentlemen, good day and welcome to the H1 FY24 earnings conference call of Beta Drugs Limited hosted by PhillipCapital Private Client Group.

As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Renuka from PhillipCapital (India) Private Limited. Over to you.

Renuka: Good morning everyone. On behalf of PhillipCapital Private Client Group, I welcome all of you to the H1 FY24 Earnings Conference Call of Beta Drugs Limited.

From the management, we have Mr. Rahul Batra – Chairman and Managing Director; Mr. Nipun Arora – CFO; and Mr. Ashutosh Shukla – Director (Sales and Marketing). I now hand over the conference to Mr. Rahul sir for his opening remarks and then we will open the floor for Q&A. Over to you, sir.

Rahul Batra: A very good morning to all of you. Welcome back again for our post earnings call for half yearly FY 2023-24. Wish you all a very happy Diwali in advance.

To start with our discussion and analysis, the Beta consolidated revenues from operations for the very first 6 months of FY24 increased by 26% to Rs. 141.3 crores from Rs. 112.4 crores compared with the same period a year ago. This has happened only due to the growth across all the segments. The consolidated EBITDA came at Rs. 33.4 crores while the EBITDA margin stood at 23.64%. However, considering the impact of derma business, the consolidated EBITDA was Rs. 33.6 crores. Net profit too increased by 26% to Rs. 19.9 crores from Rs. 15.8 crores compared with the same period a year ago. Net profit margin came at 14.07%. Beta continues to be net debt free. Cash and cash equivalents are in surplus by Rs. 8 crores over the borrowings. This was still half yearly FY 2023-24. In October in the balance sheet, we have received the subsidy of Rs. 3.63 crores, where we have reduced and repaid our borrowings to the tune of Rs. 4 crores in October itself. Beta continues to be among the fastest-growing scaled-up companies in the Indian branded oncology pharma market. The company's focus on novel delivery and formulation development innovation has helped us to establish differentiation in the Indian market.

After having received ANVISA and INVIMA approvals recently, the company is well positioned for the growth in semi-regulated and regulated markets as well. Beta's vertically integrated operations with built-in cost efficiencies has helped the continuous expansion of our margins over the years. The same will be continued in the coming years as well. So, the guidance we look forward to giving you for the next half is that Beta is on the threshold of accelerating growth and expanding margins. We expect to better the first half's financial performance. We expect the revenue for 2024 to be more than Rs. 290+ crores. The target we took last year was above Rs. 280 crores but we will be poised to deliver more than what we have said. This has happened because of the strong momentum across all the 4 segments, i.e., own brands, exports, OEMs, and API. EBITDA margins are expected to improve further by Beta's strong R&D pipeline with differentiated offerings including NDDS, FTL, and FFTL pipeline, which will help drive strong growth over the many years to come.

We will be among the first few companies to launch nilotinib in September 2023 and are on track to commercialize 2 NDDS products which will be launched in December 2023. This, we will have in detail once we are going through the segment-wise. This will cement our position as a leading player in the Indian oncology market. We, as a company, continue to invest aggressively in R&D, talent, and product dossiers which are expected to accelerate our growth going forward.

Now, to give you a brief about all the 4 verticals. To start with our main vertical, the branded sales; the first half has given a growth of 19% over the last year. Most importantly, in the first half, the company has made its presence in the 5 new corporate hospitals across India. Today, we have our presence in more than 85% to 90% of the corporate hospitals across India. In the first half, the company has launched 2 new products. Further, moving on to the next half, we will be launching 4 new products by March and 2 new NDDS which will be the first time in India. The second half in terms of own brands seems to be more promising with all the new launches. The next major step where the company is focusing is to add more number of sales force to cater more 2- and 3-tier cities. As of today, the company has marked its presence in all the metros and the focus areas are now to drive further growth from the 2- and 3-Tier cities. We are expecting to add more manpower between 10 to 15 people in Tier-2 and Tier-3 cities.

Today, the cancer treatment has gone basically to all the hospitals. Even the district hospitals are providing cancer treatments on a higher scale. So, focusing on all the district hospitals and focusing on the medical colleges, we have planned to increase our presence in Tier-2 and Tier-3 cities in the coming months. This was all about our own branded sales.

Coming on to the international market, though the growth from the export market was lower in the first half, we expect a strong growth in the coming many years down the line. Our unique product portfolio for which we are filing the dossiers has got a big attraction from the partners across the globe. With ANVISA and INVIMA, the company has opened its front for more than 70% of the globe. In the last 6 months, we have signed more than 20 agreements with different partners across the globe. The identification of all these partners has been physically verified by our personal visits. We have our major objective to file more than 200 dossiers in the coming 2 to 3 years. Not only this, dossier filing is a process. To enhance the process, we have recently added more personnel in our regulatory team. The total number of regulatory team stands at 15 people who are working on a daily basis to complete the dossiers for each and every country. As of today, the company has a huge number of regulatory persons to support all the registrations and filings. The export will always take its own sweet time, but the process should be right. In this last 2-3 years of journey where we have got these approvals, we have understood the importance of dossiers. So, investing on the human resource and investing on the dossier part has become very important for us. The major attribute has gone towards increasing the manpower and the quality of the dossiers and DMS.

The growth from the export market will be huge but will certainly take 2 to 3 years, as I said. This is our major focus area, as the product line; we have a lot of interest in the market. This has also been our key focus area, as just now we have exhibited in the CPhI worldwide. In particularly CPhI worldwide, we got immense attraction from the foreign clients. These foreign clients were so attracted that quick certification was very important. And having the robust pipeline, which we have right now, everyone is looking forward to getting those products registered in those countries. We have multiple partners in different countries where we have given multiple products to different partners. It's not only the same product that has been provided to all the partners, but also some products to some partners and some products to some other partners. The process of identifying the partners had already been briefed, and we are 100% sure that in the coming 2 to 3 years, the export will drive the company to next heights.

Also, as in our last call, we had been told about the EU GMP guidelines. The application had been submitted earlier. We have got the application number now, and we are expecting the EU audit to be triggered in the first half of next year. Our focus is to get the audit triggered in the first quarter, where we have put a lot of effort that the audit should be concluded in that time. But in first half of the next year, 100% the audit will be concluded. Not only this, the company has also filed an application for Euro Asia audit. We have already got the dates for this audit and that will be happening in the last 10 days of December. The Euro Asia will open upfront in the entire CIS countries. We have already tied up with 2 Russian partners to register 5 products there. The same understanding is being developed in Azerbaijan and Kazakhstan as well. After this audit, we have already got the pre-audit done and there were no major or critical observations observed during the pre-audit. So, we expect the audit to go smoothly. And we will get the certification after 3-4 months of the audit. This will again open up a new front in the CIS market as well. That all was for exports.

Coming on to the API, API is one business where we have putting a lot of efforts and a lot of focus, as this will not only add to EBITDA margins and this will not only add to the bottom line but also will give a unique identity to the company. Today, as a backwardly integrated company, we are proud to say that we are among the top few companies who are backwardly integrated. There are companies who are only focusing on API, there are companies only focusing on formulations, but we as an integrated oncology cytotoxic player have both API and formulations in-house. We have got a new professional team joined in all the operations in all the categories. The guys have joined in the top positions in quality assurance, in quality control, in production, and regulatory as well. These are well experienced people who have been working in different big companies altogether. They have faced US and EU audits with their experience of the last 10 years. Keeping all these things in mind, to expand on the human resource was very important.

Quality of the product starts from the quality of the API. We believe in giving the best quality API to the industry – not only to Beta Drugs, not only to Adley formulation, but also to the domestic market. We are poised to develop all the new molecules in-house. We are in a position to launch two more products next month, by December end, for which we are proud to say the API has been developed in-house. The total process to develop these APIs is very tough, but with all our expertise in place and being doing all these things since the last many couple of years, we are able to crack all this in the stipulated time. The target is to further strengthen the DMF part so that all the filings which we are aiming for should be supported by Adley Lab itself.

Last year, we added 1 major line for new capacity expansion. This year, we have also added one more line in the form of Kilo lab. There are many products in API which are produced in small quantities. For that, we have added one more line with a small glass reactor. The R&D has also been shaped up very nicely. There are now currently 4 people working in API R&D itself. API is one of the key strengths where our focus is today not only to the domestic market. We aim to export our API to the coming semi-regulated or unregulated markets. We have already started conversations. We have shared our prices, we shared our CS, we have shared our samples with many countries. We expect API to give a good boom in the coming months.

Coming on to the CDMO business:

CDMO is our major vertical till now. This year, the growth of CDMO has been more than 34%. This is mainly due to because the focus on adding new partners has been on topmost priority. It's not only we are adding new partners, it's also maintaining the product lines with the old partners and keeping the same momentum with the new partners. The traction we get from the CDMO partners is the launches. The new launches, which every company takes time, might be delayed by 2 to 3 months. Our focus is to give those products topmost priority. Any product which is becoming off-patent, we offer to our CDMO partners and we offer to our own domestic market as well. This has been a key instrument in driving the CDMO business. Also, we have added 1 new injectable facility with 2 new lyophilizers for having an additional extra business for the CDMO side. This will certainly reduce the timeline of the deliveries we have been telling them in the past we've been committing.

Now, our major changeover or major addition which we did last year – coming on to the dermatology. Dermatology, currently we have 45 people on the line and the PCPM per person has come to Rs. 1.2 lakhs per month. We aim to increase the PCPMs to Rs. 3 lakhs plus we are hiring 2 more candidates, one as a position of GM and one as a position of Vice President in derma. Both are having a very large experience in dermatology. One was the cluster head in one company and one was heading as an NSM for the derma division in some other company. The one addition we might get in the month of November itself and one edition we will be getting in the month of January. Today we have around 14 products. We tend to increase this product line to 35 to 40. This year was very great in dermatology as we are the first company in India who has signed an exclusive contract for India and Nepal markets with some Italian partners, which will be the first-time product launch in India. This has a unique combo which will be focusing only on the top 500 cosmetologists. Also, not only this, focusing on the dermatology, we have further plans to open up our new cosmetology and dermatology plant in the next 1-1/2 years. The land and everything has been identified. The only thing is the execution has to take place. The main objective of derma is to do Rs. 50-crore sales in the next 3 to 4 years in own brands. This seems to be very promising, and I'm sure with the commitment we have and the team we have, 100% this is achievable.

I conclude all the verticals, and as a team, we are open for the questions.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Santosh Kondapuram from Path2Wealth. Please go ahead.

Santosh Kondapuram: First of all, congratulations to the management here. I think you guys have been fantastic and actually walking the talk regarding the growth and we have been seeing great numbers from quite a few quarters already.

I have a couple of questions. 1) Regarding your export business. As you are getting approvals from a lot of these countries, but at the same time, there are challenges around geopolitical issues or the slowdown that is going on in the worldwide market. How is this impacting the export business of Beta Drugs? 2) Regarding derma products. I see the total market size is Rs. 13,000 crores or something. What would be our immediate target in dermatology? Is it like B2C products or is it like B2B products?

Rahul Batra: First, let's talk about the exports. The geopolitical tension is, of course, one of the critical things which is happening across the globe. But as we are entering the export market, our major business is driving from the LATAM and the Asian part plus Africa. If we talk about the MENA region or if we talk about the area where there are conflicts, we have not seen any reduction in the import size of those countries. Plus we have not made our presence there, especially in those countries. The export market looks to be very attractive towards the LATAM side, it looks very attractive towards the Asian side, and it looks very attractive towards the Africa side also. Even if we talk about the Russia thing, I personally went twice to Russia – to Moscow – even if the war was happening. There is nothing being related to the import or towards the drugs because medicine is one thing which is being required by every country. There doesn't seem to be any impact on the export side as far as this war is concerned.

Second part of the derma market if we talk about, yes, the market size is Rs. 3,000 crores and it is very lucrative. Our first and major target is to achieve a sale of Rs. 12 crores per annum. This we will be able to do by next year. This year, we will be closing close to around Rs. 8 crores. Next year, we are aiming to close around Rs. 15 crores, and by that next year, we are aiming to close around Rs. 25 crores to Rs. 30 crores. As I said, in the next 3 to 4 years, we are aiming to close Rs. 50 crores. Also not this, there will be no B2B brand, all will be B2C, and this will be promoted only ethically through the doctors. Today, we have around 110-120 medical advisers on the panel. We tend to increase it to multiple folds in the coming year.

Santosh Kondapuram: One last question. I have seen that you are planning to migrate the company from SME space to the main board. Any plans to improve the liquidity by offering bonus shares or splitting the equity?

Rahul Batra: There is a clause for the authorized capital. So, we will not be issuing any bonus shares. Only there will be a slight bonus share that will come to the picture once we'll be starting the process. The liquidity will improve after we migrate to the main board, but as such the bonus shares are concerned, there is no chance that any bonus shares will be coming. Only for the purpose of migrating to the main board where some authorized capital needs to be raised, that portion of the bonus shares will be issued. That's it.

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

Satwik Jain: Sir, I was saying that for Rs. 140 odd crores of H1 sales, we have receivables of around Rs. 77 crores. I was just wondering if historically there have been any write-offs of the receivables or the 6 months plus receivables have been taking time to come or is it the nature of the business?

Nipun Arora: If you could see the previous numbers, 100 days was for the FY23, and for FY24 also, it is only 100 days despite of the increase in turnover by 26%. So, I think there is not much change. Rather, it has been reduced only by marginal days. And keeping in mind the nature of business, yes, there are few parties, there are few tender businesses which take more than say 80-90 days. That's why it comes to 100 days.

Satwik Jain: But historically, write-offs would not be there, I'm assuming. Or there have been some proportions like half a percent or 1% of the receivables?

Nipun Arora: No, there is no write-off.

Satwik Jain: Yesterday, a press release had come that there is around 88,000 USD write-off for some subsidiary. Could you shed some light on that? Although it's like a very small amount, but still if you could shed some light on that.

Nipun Arora: This was in lieu of the investment done in Beta UBK. We have written it off from our balance sheet and we have given the intimation to the stock exchange. What we have done is we have changed the way of operating in Uzbekistan. Now we are doing it ourselves, we are not doing it through a JV. And we are maintaining better sales in Uzbekistan than before.

Rahul Batra: I'll add on with Nipun thing. Actually, the venture we started with Beta UBK; the venture has been ended. And that's why the capital thing we have written off that and now there is no more subsidy of Beta Drugs in Uzbekistan. Rather the injectables which we have registered, the MA's (Management Authorization) belong to Beta Drugs Limited, India only, and we have our own sales team who are promoting those products. Since the last 3-4 months, we have been maintaining a sale of $25,000 to $30,000 every month. So, the operations will be handled and taken care of by India itself, and the total margin will be booked in India only.

Moderator: The next question is on the line of Vimal Agrawal from Agrawal Capital. Please go ahead.

Vimal Agrawal: My first question is, what is the dermatology business growth? And how many doctors are you covering? And how many MR is monthly PCPM?

Ashutosh Shukla: Currently, we have a PCPM of 1.2 lakhs and around 900 prescribers are there across the country. There are a few states wherein we are yet to launch, which we expect to launch in the month of January and February. At present, we have 45 people onboard, and the total doctors which we are covering is around 5,000 doctors, which is going to increase once we expand our sales force.

Vimal Agrawal: Is there any geographical expansion, either domestic or foreign, cancer related?

Rahul Batra: Cancer, yes, the geographical expansions are 100% there. In the domestic market, we are present in the entire India. There is not even a single state where we don't have our presence. In geography, yes, we are putting a lot of efforts in LATAM. We are putting our efforts in countries like even Syria, Iraq, Iran, and Algeria also. Even we are putting our efforts in CIS Asia. We have started filing our dossiers across the globe. We have hired some consultants in some Asian countries and some African countries where we are just filing the dossiers ourselves. The expansion of the geography across the globe is on the cards, and we are very much on it.

Moderator: The next question is from the line of Ashish Sharma as an individual investor. Please go ahead.

Ashish Sharma: My question is about the CAPEX which you will do to increase the derma line. You mentioned that you have identified some land nearby. And the question is, will there be any debt it'll take to develop that facility and do all those things? Or that will be internal accruals or a combination of both? And what is the time frame you are looking at, say, in the next 18 months or 12 months will you be spending X amount of money to have that facility ready?

Rahul Batra: The plan is to come up with our own manufacturing in the next 1-1/2 to 2 years. We have experience in installing so many plants in the last 4 decades. The same thing was started by our father and the same has been transferred to us. In the last couple of years also, we have done a lot of capital expansion in terms of CAPEX. That has all been done from the internal cash accruals only. The total amount of CAPEX we look forward to invest in derma plant is close to around Rs. 30 odd crores. Mainly this will be from the internal cash accruals only. And the time frame will be 1-1/2 to 2 years down line.

Ashish Sharma: And what level of EBITDA margin improvements you will see from that skincare line into the company?

Rahul Batra: Cosmetology & dermatology is one segment where if your brand gets recognized and established in the market, it gives a lot of revenues plus a lot of bottom lines to the company. Keeping in mind those, we see that there will be a good growth in the EBITDA margins in the coming years. As we discussed in the last calls, over the years, we will be maintaining our overall absolute number by growth of 25% to 30% year on year.

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

Raghav: My question is related with exports ramp-up. We are filing dossiers in many countries, but is there a plan to approach Southeast Asia countries first, then LATAM countries? And what is the timeline that we are looking for this? Is there a ramp-up plan for exports?

Rahul Batra: Let's come to the Asian countries first. We have already given around 12 dossiers in Thailand. We have already submitted around 4 to 5 dossiers in Malaysia. We have just finalized a partner in Vietnam. Already we are doing business in Myanmar, Nepal, Sri Lanka, and Mauritius. And coming on to Indonesia, that's a different ballgame altogether. Again, the Philippines, we have got the Philippines approval for both the lines. In spite of having pics, they were trying to have an audit for the plant and that has already been cleared. Also, we have given around 17 dossiers in the Philippines. This is the plan where we expect the business. Actually, in pharma, generally after submission of dossiers, queries come from the health authorities in a particular country. After giving the replies to the queries which are generated, generally it takes around 12 to good 24 months to get the product registered. And in especially all these countries, there are no sales which can happen without the registrations. Same is the criteria with LATAM, and if we talk about LATAM, we have signed around 14-15 agreements in Latin America market, and we are in process of providing all the dossiers in all those countries. Whether it's Brazil, whether it's Mexico, whether it's Colombia, whether it's Peru, whether it's Chile, all these countries, we have started the process. Some of the countries, we have already got registrations also in the last 2 months. And some of the countries, we have just started filing the dossiers. We expect the business to grow in exports in 2 to 3 years down the line.

Moderator: The next question is from the line of Ashish Rathi from Lucky Investments. Please go ahead.

Ashish Rathi: Rahulji and team, congratulations for always guiding us towards the roadmap of the company, and more often than not, beating those expectations. Hats off to the efforts you guys put in. My question is sort of a follow-up to the earlier participant's, on the CAPEX side. Nipunji, can you tell me what is the capacity utilization at the company level today? What is the peak revenue that we can do with the existing capacity?

Nipun Arora: In the oral side, the capacity utilization will be around 70% to 80%. And in the liquid side, it is somewhere around 40% to 50%.

Ashish Rathi: What is the kind of revenue that we can do from the existing capacity?

Rahul Batra: It can generate the revenue of Rs. 500 crores from this capacity. And Ashishji, basically CAPEX increase in pharmaceuticals is a regular process. You keep on adding new machineries, you keep on adding new things if some output is increased. In the last couple of years, particularly to focus on the CDMO business, we have installed one more injectable line. As Nipunji said, the leverage is still there and the leverage in both injectables and orals is there, and we can easily achieve a top line of Rs. 450 crores to Rs. 500 crores with the current capacity.

Ashish Rathi: What are the CAPEX plans for the company? Are we looking at planning for the future beyond that already or we are waiting for some more time?

Rahul Batra: We are definitely looking for bigger plans, i.e., after 2-3 years down the line. The first plan, as I discussed, is about the derma plant where we will be having a good quality investment done in that particular area. The second future plan we do have is that we have a plan of coming up with a good R&D, where a separate R&D model will be created only for technology transfer for both API and formulation. That will also be done in the premises where we have extra land in Beta Drugs only. There will be a separate block created only for R&D. The third major plan which we have in the pipeline is that we have to come out with a good injectable facility only dedicated to the US. That is after 3 years we have a plan to do this.

Ashish Rathi: The derma plant you said Rs. 30 crores CAPEX, Rahulji. What sort of asset turns at peak level can we expect in the dermatology business?

Rahul Batra: After investing Rs. 30 crores or Rs. 40 odd crores and having the CDMO base which we have – it's not only the own brand which we will be producing from that particular plant, the relations which we are maintaining from the last 15 odd years with all the major Indian MNCs across – we expect the B2B and our own brands to contribute good amount of business in the coming 3 to 4 years down the line. It might go up to Rs. 100 odd crores including all.

Ashish Rathi: Right now, we are not doing any B2B in derma. Are we?

Rahul Batra: No, we are not doing it because we don't have a plant.

Ashish Rathi: Second question was on the working capital side. To understand the split of working capital, if you can help me give some color on the domestic business – the India-focused business – and the export business.

Nipun Arora: Ashishji, if I talk about business as a whole, our working capital days is still the same. That is somewhere around 85 days. Days receivable at 100 days. Days payable and inventory days have increased. Days payable have increased from, say 65 to 71-72 days. Similarly, inventory days have been increased by 10 days. So, if I talk about working capital days segment-wise, then I would say working capital days in CDMO would be somewhere around 90 days. Working capital days in domestic business would be somewhere around, again, I think 60 to 75 days. Mostly in the other than institution business, it is 60 days only, but institution business, it takes more than 75 days, somewhere more than 90 days also. And then in export side, we try to do maximum on the basis of advance or LC basis. In some cases, we have to give credit to our well-known customers who are already dealing with us. That is also somewhere around 45 to 60 days.

Ashish Rathi: And going forward, the same policy we maintain in terms of advances only in exports, or because now we have more comfort with the customers and the customers have more comfort with us, we will look at credit and larger orders?

Nipun Arora: This will depend on party to party. If it is a new party, obviously, we will go for advance or through the confirmed LC. And if it is an old party which we are already doing business with them, obviously, we can extend some credit.

Rahul Batra: Ashishji, I'll add on this. Basically, most of our partners internationally have been visited by us personally. Either it's being a team of 5-6 people, they have been visited by them personally. We have seen the strength of all those partners personally and physically.

Ashish Rathi: Last question, if I may, with your permission, Rahulji, on the margins bit. You said that we are on the threshold of margin expansion also at the company level. Is it safe to assume that the export business margins are good and better than the existing business margins?

Rahul Batra: 100% better. If you keep on adding countries like Brazil, countries like Colombia, countries like Mexico, countries like Thailand, Malaysia, South Africa, and Vietnam, the margins will exponentially increase.

Ashish Rathi: And in derma business, also I understand maybe we are just at an EBITDA breakeven kind of a level right now. I don't know, I'm not sure; you can clarify that. But at a gross margin level, we would be doing a reasonably sound margin to be able to beat company level margins at some scale of like Rs. 20 crores to Rs. 25 crores out of derma business. Is that a fair assumption?

Rahul Batra: Yes, at Rs. 20 crores to Rs. 25 odd crores, we will be matching the same EBITDA margins as what we are doing at the company level.

Moderator: The next question is from the line of Akshat Vijay from Hem Securities Limited. Please go ahead.

Akshat Vijay: Sir, last time you gave guidance of doubling the revenue to Rs. 450 crores in the next 3 years, i.e., by FY26. But now, as you mentioned about the Rs. 290-crore revenue target for FY24 itself, do you still maintain that Rs. 450-crore guidance or do you want to increase that?

Rahul Batra: The thing is we always believe in saying less and delivering more. We will try to maintain that consistency in the coming 3-4 years down the line. So, the target, which we have said, Rs. 450 crores is 100% achievable and we will try to deliver more than that.

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

Raghav: I have two more questions. One is, in the last call, we discussed about transferring tech for certain countries and getting royalties and providing them APIs. Has there been some traction on that front?

Rahul Batra: Yes, there have been agreements signed with 2 companies in the CIS countries. The product development part has already been started. The tech fees has already been discussed and the agreement is already signed. Maybe in another 2 months down the line, we will be having our first transfer for the tech development. And regarding the API supply to those countries, the agreement is already in place. Once those products are registered, after completing the tech transfer, certainly the agreement is there for a minimum of 5 years to supply the API to them as an exclusive supplier.

Raghav: My second question is related with the PPT we have shared, slide #16. It seems that in domestic business, we have covered almost 80% of the market size for cytotoxic, supportive, and hormonal therapy. Possibly the scope of further expansion seems in targeted therapy. Am I interpreting this data correctly that we have kind of saturated the domestic market except for targeted therapies?

Rahul Batra: What we have mentioned is that we have covered. Covered doesn't mean that we have started getting business support from them. The analyses are correct. The coverage is there, but still now there are many counters where we have not yet got our presence there.

Ashutosh Shukla: Currently, our market share is around 4.5%. Still 95% of the covered market lies in front of us. Slowly we are grabbing. The other thing is that in the corporate hospitals wherein we have good number of brands available, still the market share in those hospitals is less, which we aim to increase in the coming time. So, what we assume is, in the next year, this 4.5% market share we would like to take it up to 5.5%, which is going to help us to achieve our budget.

Rahul Batra: In addition to this, the company is in a regular process to launch new products. In this half year particularly, we are launching 4 new products plus we are launching 2 NDDS. We have come up with a new block which was under qualification. Already the trial batches have been taken last 1 year back, but now this month, particularly in November end, we will be launching 2 products which will be the first time in India. These 2 new drug delivery systems will give a big impact on our domestic revenue as well.

Ashutosh Shukla: If I may ask one more question if you guys allow any tentative date by when or quarter by when we are going to migrate to main board?

Rahul Batra: The process has already been initiated and we are just now in a process to do the documentation part. The timeline what we have decided is that before March, we should migrate. But the maximum it will take maybe by May end, we will be able to migrate on the main board. So, the minimum timeline is 2 months and the maximum timeline which we are aiming is 6 months. Between this period, we will be able to migrate to the main board.

Moderator: The next question is from the line of Ranvir Singh from Nuvama. Please go ahead.

Ranvir Singh: About the product launches what we mentioned – the 2 entities' products we are going to launch in December – I believe that after the two, in pipeline we had 5 products. Or have we added more products in pipeline for NDDS product?

Rahul Batra: We have got a very robust pipeline for the next 2 to 3 years. First is that whichever product is becoming off-patent, we have started working on those products to launch those products and we are the first one to launch in India after becoming off-patent. Second is the new products which are not available in the market, like what we did with azacitidine – injection it was available, we converted into oral. Then there was one product, enzalutamide, which was coming as a strength of 40 mg. Since the patient has to consume 4 tablets, we made it 160 mg. These are continuous processes. There may be around 2-3 products more which we will be launching next year. Of course, on the NDDS side particularly, we have been working on this since the last 2 years and we have been kept silent and not told to the market about these products. But since everything is on the cards, we just got the approval from the drug department. The manufacturing block is approved. Two products will be launched this month by November end or maybe maximum by December 15th. Then, there are eight more products which are under pipeline. So, the approval process is difficult. But we have already started that. Maybe the bioequivalence and everything will take its own time. So, if we see the launches of these particular further 8 products, 2 products will be launched by March, then 2 products will be launched by June or July, and then 2 or 3 products will be launched by December end.

Ranvir Singh: So, apart from those 2 products we are going to launch in December, eight more are in the pipeline for next year?

Rahul Batra: Yes, in NDDS.

Ranvir Singh: And those 2 products which we are going to launch in December, what kind of products these are and what would be the market size or revenue potential? Anything if you could comment on?

Rahul Batra: It's a new development and we have seen this thing in the past. Earlier the paclitaxel was there; then we converted and we made it targeted by adding albumin-bound paclitaxel. We got a big success, in particular that product. The market size of these 2 products is very large. We don't want to name the product right now because the reason is till the time it is commercially launched, we are not allowed to say that. And the market size of these 2 particular products is very huge in terms of the Indian market. Not only this, but we are also aiming to launch these products overseas as well. One product is on the hematology side and one product is on the prostate side. Am I right, Ashutoshji?

Ashutosh Shukla: Right, sir.

Rahul Batra: The market size of both these 2 products is very large. The only thing is, we have kept in mind the targeted segment. Right now, the targeted segment in this particular category has no access to a delivery system like what we have developed for these 2 products. Let's see how it shapes up. But as far as our revenue is concerned, we are definitely expecting huge volumes and we are definitely expecting a huge market size and a transformation from those old novel products to these NDDS formulations from the doctors.

Ranvir Singh: I believe that somehow FY24 number – first half number is already out – we are well on track to achieve the guidance. What would be the major growth for FY25? Apart from the NDDS product filings, are we enhancing capacity also there in the injectable side at any of our facilities?

Rahul Batra: As we mentioned in our presentation also, the capacity has already been increased on the injectable side in Beta Drugs. And coming onto the Adley formulation, we have come up with a new facility on the injectables side with 2 new lyophilizers. This has been, in fact, a major focus to give priority to our CDMO partners as well. Then, if we come on to the API side, we have added one more Kilo lab line to manufacture those products which come in small quantities. Although the value is very high, but the quantity and the volume is very low. For particularly those sort of products, we have come up with 1 new Kilo lab – 1 new expansion. So, we don't see any further CAPEX happening in the coming 1 or 2 years. But of course, as we say, again in the previous year, the capacity and adding CAPEX is a regular process in the pharmaceutical industry. If we get an opportunity to further automate ourselves in getting a new machinery down the line where the capacity is increased and where the productivity is increased, we don't mind doing that. But that all will happen through our internal cash accruals only.

Moderator: As there are no further questions, I would now like to hand the conference over to Ms. Renuka from PhillipCapital for closing comments.

Renuka: Thank you participants for your valuable time and especially the entire team of Beta Drugs Limited. Rahul sir, before we close, would you like to make any closing remarks?

Rahul Batra: Coming to the closing remarks, as discussed in our last calls, we are poised to grow at 20% to 25%. As an entrepreneur and as a risk taker, we definitely look forward to taking risk and expanding it globally. The risks are calculated. And it's not about the risk; it's about the temperament of having a further expansion on a larger scale. We are poised to grow at 25% to 30% and thereby I close. And this has all happened because of our expertise team and the human resource which we have. The credit goes to each and every one of the entire team. I wish you all a Very Happy Diwali.

Moderator: On behalf of PhillipCapital India Private Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.