



**TML: CS: BSE/NSE CORR: 2023-24**

**8<sup>th</sup> November, 2023**

Listing Department,  
**BSE Limited**,  
P. J. Towers, Dalal Street,  
Mumbai-400001  
BSE Scrip Code: 530199

Listing Department,  
**National Stock Exchange of India Ltd.**  
"Exchange Plaza",  
Bandra – Kurla Complex,  
Bandra – East, Mumbai- 400 051  
NSE Scrip Code: THEMISMED

Dear Sir/Madam,

**Sub: Transcript of the conference call held on 6<sup>th</sup> November, 2023**

Pursuant to Regulation 30 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our letter dated 31<sup>st</sup> October, 2023, intimating you about the earning conference call for Q2 & H1 FY 23-24 with Analysts/Investors held on 6<sup>th</sup> November, 2023, please find attached herewith the transcript of the aforesaid conference call.

The above information can also be viewed on the website of the Company at <https://www.themismedicare.com>

Thanking you,

Yours faithfully,

For **Themis Medicare Limited**.

**Sangameshwar Iyer**  
**Company Secretary & Compliance Officer**

Encl: a/a

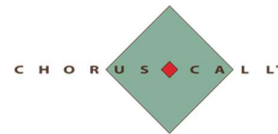
## **Themis Medicare Limited**

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“Themis Medicare Limited  
Q2 and H1 FY '24 Earnings Conference Call”

November 06, 2023



**MANAGEMENT: DR. SACHIN PATEL – MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER – THEMIS MEDICARE  
LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Themis Medicare Limited Q2 and H1 FY '24 Earnings Conference Call.

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

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Dr. Sachin Patel, Managing Director and CEO from Themis Medicare Limited. Thank you and over to you, Dr. Patel.

**Sachin Patel:** Thank you very much. Good afternoon, everyone, and thank you for joining us on this call to discuss the second quarter and half year of FY '24 business and the financial performance of the company. I'm delighted to welcome you and provide an update on the latest developments and opportunities at Themis Medicare.

I would like to begin this discussion talking about the hospital segment that is forming the most critical part of our growth strategy. The second quarter and half yearly performance is in line with our stated strategy of aggressively growing our hospital business and I'm glad to share with you that this segment has grown by 20% in Q2 of FY '24 over the same quarter last year.

We now keenly look forward to the launch of Remithem i.e. Remifentanyl, all across the country in this month. This is the first to launch opportunity in the critical care segment for the company. Remithem is a global market leader in its category and is now a part of our anaesthesia portfolio. As for the marketing of the product, we organized three international speaker programs at Chennai, Cochin and New Delhi in October '23, covering about 200 anaesthesiologists. The initial feedback has been very encouraging and suggests that doctors are long waiting for Remithem.

This launch not only adds a revenue stream but also opens doors for collaboration with hospitals in drug delivery and medical device segment. This will also provide increased visibility and opportunity in the hospital business for the company. Last few quarters saw significant investments going into building teams and acquiring talent.

In the current quarter, we have been growing the utilization of this built-in capacity. Towards this end, we have already launched 10 products to increase our presence in the hospital segment and similar number of products are due to be launched shortly. We shall keep you informed about the status of these product launches as and when they happen.

We remain focused on increasing productivity of the current hospital team by a combination of increased product baskets and adding new launches while keeping the team size intact. These new additions will help boost our top line without incurring significant additional costs.

On the pharma side, our focus on trust brands is yielding good results with some of the products evolving into successful brands for us. This gives us the confidence for formulating a strategy in place to grow the portfolio of such kind. This is possible mainly due to various approaches undertaken by us like consistent focus on our forte specialty doctors, general practitioners, introducing attractive incentive and award schemes for the marketing teams, etc. Going forward, we also plan to target more-and-more doctors along with existing GPs and expand in new geographies. Apart from this, I would like to reiterate our focus areas continue to be ortho and gynaecology.

Now I would like to talk to you about another strategic focus segment which is APIs. We acknowledge that the pricing pressures continue to be a challenge for us. To address this, we have implemented an alternative manufacturing route and we anticipate that the positive results of these efforts will be reflected in the coming quarters as customers start accepting the thing.

Apart from this, we are also expecting some new product launches in this segment very soon. We recently proposed to transfer our API business to our wholly-owned subsidiary, Themis Lifestyle Private Limited, which has now been renamed to Themis Chemicals Private Limited. We have also attained shareholders' approval for the same. The shares business transfer agreement has been executed too. The banks will be issuing NOCs after signing of security documents which are under preparation. We are in the process of securing the required permissions from the GIDC and are working diligently to ensure a seamless transition.

This strategic move will allow us to focus on all areas of business and drive growth in a more streamlined manner. As for exports, we are actively pursuing product registrations and by the end of this financial year, we expect to have filed more than 100 dossiers for formulations in the ROW markets. This demonstrates our commitment to growing our presence in the international market and diversifying our revenue streams.

Lastly, R&D has been one pillar for our growth strategy. It is driving each of our segments from institution business to first to launch products and others. We have several initiatives already in the various stages of development and with different strategies and timelines as stated earlier in my talk.

Now, turning to our financial performance consolidated numbers. For Q2 FY '24, we reported 104.78 in revenue during the current quarter, an increase of 15% year-on-year. Our EBITDA for the quarter stands at 12.41 with an EBITDA margin of 11.84%. The EBITDA margin remains subdued due to raw material price upsurge, which saw an increase from 30% in Q2 FY '23 to 40% in Q2 FY '24 as a percentage of sales, more particularly in API business and incremental investments into building teams for hospital segments. The PAT for the quarter stood at INR11.34 crores and the PAT margin stood at 10.8%. EPS for this quarter is at INR12.30 per share.

For half year ended 30, September, 2023, on consolidated numbers, we reported INR201 crores in revenues during H1 of FY '24, an increase of 8.62%. Our EBITDA for the period stood at INR35.15 crores with an EBITDA margin at 16.95%. EBITDA margin remains subdued due to higher input costs of API and increase in manpower for building teams and acquiring talent for the hospital business as mentioned earlier. The higher other expenses consist of some one-time costs normalization of which will reverse that impact in the coming quarters.

PAT for H1 FY '24 stood at INR29.51 crores and the PAT margin stood at 14.65%. EPS for this period is INR32.07 and the trailing TTM EPS being INR55.66. The company undertook a subdivision of its equity share which with each share of face value INR10 divided into 10 equity shares of face value INR 1 each effective from 11th of October, '23. After all the regulatory and statutory and shareholders' approvals were taken.

This is all from my side. I would like to open the floor for question-and-answer.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Aniket Rednekar, who is an investor. Please go ahead, sir.

**Aniket Rednekar:** Good afternoon, sir.

**Sachin Patel:** Good afternoon.

**Aniket Rednekar:** So, sir, I have two questions. I just wanted to know about the transfer of API business into the Themis Lifestyle Private Limited. So, how are we going to get benefits from it? And what would be the impact on our other business operation and the financial performance? Can you throw some light on this?

**Sachin Patel:** Sure. Any other questions?

**Aniket Rednekar:** And, sir, this API business, regarding the same API business, so what is the timeline for the completion of the transfer process? And the third one is basically this establishment of this RXs. So, how does it fit into these overall growth strategies?

**Sachin Patel:** You mean the Themis Rx?

**Aniket Rednekar:** Yes.

**Sachin Patel:** Okay. So, is that it or any more questions that I should note down?

**Aniket Rednekar:** No.

**Sachin Patel:** Okay. So...

**Moderator:** So, sorry to interrupt, sir. Your audio is not clear, sir.

**Sachin Patel:** Okay. I hope you can hear me clearly. I'll start with the API business and why the transfer. About two quarters or three quarters ago, we had come out and we had explained that at that particular

time, it was not a core part of our strategy in terms of growth and what we wanted to do going ahead. Now, at the same time, we also felt that there is a lot that can be achieved in the API -- strategy in terms of capital impact, in terms of the debt in terms of other things that need to be done. It's pretty different from what our overall strategy in the finished dosage form. And that is one of the main ideas....

**Moderator:** Sorry to interrupt, sir.

**Sachin Patel:** So, I'll repeat what I was saying. About two or three quarters ago, we had come out and we had said that API business at that time was not a part of our overall focus and growth strategy. But at the same time, we saw that we had a certain size of API business which could grow significantly if we looked at it in a different way from a perspective of capex, debt, etcetera, which was very different from the way the finished dosage form business worked.

And hence, the decision to carve this out into a separate entity. Now, it is going to be called Themis Chemicals. And this entity has a potential of growing significantly more than how we would have seen it as a typical finished dosage form company. So, that was the reason of doing it. And we hope that the API business, as this particular thing happens, will grow substantially more than what we are seeing right now.

In terms of timelines, we are expecting the demerger to happen by about December in this year. So, a couple of months from now. And from a financial perspective, the impact should not be that significant. In fact, because it's a 100% subsidiary, it would be consolidated as it is in the Themis Medicare accounts. And with regards to RxThemis, there is a general trend for almost all pharmaceutical companies to start a generic kind of a business because this is what the market is going towards and we are also exploring the possibility of doing this. We have still not taken a final call on it, but we are exploring how we can go into it. We believe that Themis Medicare as a brand has a good brand equity amongst the trade and distributors and also the doctors. So, it's something that we are definitely looking into.

**Moderator:** Thank you. Our next question is from the line of Ranveer Singh from Nuvama. Please go ahead, sir.

**Ranveer Singh:** Yes. Thanks for taking my question. So, two questions. One is how much product we are planning to launch in this year in FY '24 and FY '25? And what was the total number of products launched in FY '23 across the segment? So, in API and formulation?

**Sachin Patel:** Okay. So, we've launched about 10 products so far in the hospital business, predominantly in the hospital business. This will be the main area because in all the other places, what we are focusing on is how to grow the brands which are already being launched. So, there are no new significant product launches happening over there.

But nevertheless, the growth is coming quite significantly from those areas because the old brands are getting revived. But 10 products have been launched in the hospital division and we expect that an equivalent or even more will be launched in the second half of the year. But as a

hospital business, you need to make your product list bigger-and-bigger because the hospitals require almost everything and anything under the sun.

But out of these launches, some of them need to be very strategic and they need to be something which is going to give you a significant impact, not just in terms of revenues, but also in terms of reputation with regards to the hospital. So, Remithem is one of those cases. As we are launching it in this current year, we feel that it should significantly open up our presence in all the leading hospitals of the country besides, of course, revenues that are expected from the same.

**Ranveer Singh:**

Right. So, to understand the outlook here, what should be the critical factor according to you? Is the number of products that actually drive growth or it is a doctor touch point or the expansion or our focus at least, the both will drive the growth, obviously. But where is our focus? So, it's more products we are launching or it is growing equally. Both factor equally contributing to our growth. So, if you could just comment on it?

**Sachin Patel:**

So, I would put it this way that our finished dosage form business is divided into two parts. The trade business, which is typically the branded business and the other one is the hospital business. In hospital business, we need to keep on adding more-and-more products. So, that is the philosophy that we have to go with. Along with also in hospitals touching more-and-more, going to more-and-more touch points because there are various specialties that we need to touch. We were only with the anaesthesiologist first. Now, we are also with the intensive care specialists. We have to go to cardiac. We have to go to multiple areas within the hospitals as quarters go by, as period goes by.

So, both doctor touch points and product portfolio become very important in hospitals. While in case of trade, which is essentially going to the doctors who are prescribing products for consumers or for patients to take, over there we need to focus on few brands, but we need to invest heavily in those brands for them to grow.

**Ranveer Singh:**

So, how much investment we have under consideration for capacity expansion or towards the product development?

**Sachin Patel:**

So, we have not planned any capex over the next few years in terms of capacity expansion because most of the products that we are producing right now can be also manufactured in contract manufacturing sites, which we have already started doing. And in terms of people, also currently we are not planning any expansion because we feel that we have the right number of people to more than double our sales right now. So, we will be focusing on productivity right now more than increasing the number of people.

So, the expense part that you mentioned will predominantly be variable expenditure as you can see on our balance sheet right now, in terms of a number right now. We will increase more-and-more on marketing so that our current number of people that are there in the field become more-and-more productive because that is -- at the end of the day going to give us significant improvement in the bottom line.

- Ranveer Singh:** Yes, understood. Because in this hospital segment, I see multiple mid-size players are now either foraying or expanding their business. So, I can count a few names which have recently emerged as a big player in hospital business. Overall, the competition is getting stiffer. So, what would be our strategy to beat this? So, it is a differentiated product or a product basket itself would be expanded significantly to beat that? So, what is our strategy here to beat the...
- Sachin Patel:** So, again, I think for each company, they'll have their own respective strategy. So, without diverging too much on it, I think what we can talk about is that we started off with anesthesia where there were very few people. So, through anesthesia, it has taken us almost about seven years or eight years to understand the distribution network and create a hospital network all across the country. Now, we have to really leverage on that particular network which is created to do much more than what we are doing right now.
- Ranveer Singh:** So, any guidance for FY '24 and FY '25 in terms of revenue or EBITDA if you could? With this quarter EBITDA margin was a dent there. So, an overall yearly projection if you could give some color?
- Sachin Patel:** So, I think on the top line, we should be growing at a significantly higher level than what we have for the first half of the year. So, that is one part. On the bottom line, I think we are waiting for two triggers to come in. We are very much counting on it because that would improve the bottom line significantly in the coming half of the year for sure.
- But long term, as I said, our plan is to invest more-and-more on marketing. So, in the short term, we may have to compromise a little bit on the bottom line, but make sure the top line grows significantly higher than what has been growing so far.
- Moderator:** Thank you. Our next question is from the line of Sriram R. who is an investor. Please go ahead.
- Sriram R:** Thank you for the opportunity. I have three questions. I mean, we hold about 23% in Gujarat Themis and I just want to understand, is there any overlap between our company and the other company and what do we plan to do on that stage? And also, we have planned to move the API business to a separate company. So, do we intend to sell the business and focus only on hospitals?
- Sachin Patel:** Okay, that is two questions. Anything else?
- Sriram R:** Yes. So, and also, this is the first time I am joining the call. I just want to understand the trade business, what do we do over there? And also, a basic understanding of the hospital sector, like what is the market size for our products and who would be probably the Top 3 operating in this segment currently? Some color on the industry, the hospital, critical care and the intensive care industry?
- Sachin Patel:** Okay. So, I think since about Themis Medicare has been holding 24% equity in Gujarat Themis Biosyn Limited, is also a promoter of the company. The business transactions between the two companies, I think, must be less than 1%. So, 1% of GTBL's business must be internal transfers of products to Themis Medicare, if that. It could be perhaps even less than that. So, in terms of



the businesses, so far, it's been at a very different areas, very different business scopes. So, there is very little overlap, if any, between the two companies.

In case of APIs being put out separately, there is no intention of selling this particular business. The idea was to grow this particular business significantly from where it is right now. And how do we structure the entire business in a way whereby it is possible for us to inject whatever is required in the API business to make it grow significantly going ahead and also get a kind of a critical mark for it. So, that was the intention of putting the API business into a separate subsidiary.

As I mentioned, one business, that is the API business, is more of a capex driven business, while the finished dosage form business is more of an opex driven business. And we wanted to leverage both the businesses to the maximum potential using these two principles.

The third question was with regard to trade. So, we have in finished dosage form in India, two businesses. One is the hospital business, which is really our core focus and most of our expansion in terms of people for which you see higher manpower costs, etcetera, are coming arising from the fact that hospital business is our focus. The reason why this is our focus is because we have taken a few data points.

One is more-and-more number of people are getting insured in the country. The second part is more-and-more number of people want to go into hospitals because healthcare is available through the insurance schemes that they have got. Third, more-and-more hospitals are coming up all across the country and there is a massive amount of investment which is going into the hospital.

So, all these things combined together and the fact that we had already entered into the hospital business and done rather well in anesthesia gave us a feeling that if we can do it for anesthesia, we can do it in other things because at the end of the day, the distribution network and the whole triad of hospitals, the doctors and the distribution network, we understand pretty well.

And if we put in more-and-more products and people in place, we can touch more-and-more touch points in the hospital with regards to specialties of doctors. So, with all these things put into place, we felt that this has to become and we continue to believe our focus area for going ahead. Now, this is with regards to the hospitals.

With regards to the trade, we already had an old business of anti-malarials which we were doing, but the malaria market was de-growing. But the people were there and the question was, do we continue with that particular business or do we give it a different kind of a shape? And we took a decision at the middle of last year that we are going to try and give it a different kind of a shape whereby instead of focusing on many brands, we have taken up one or two brands where we are focusing and we are seeing if we put out all our efforts, investments and energy into that particular brand, how would that brand perform?

And we have seen some very interesting and positive looking numbers coming out from there. The brand that we were focusing on has grown almost about 3x what it was selling last time. So, we want to explore this further, not increase the number of people, mind you. We are not talking about increasing fixed costs, but we are talking about increasing variable costs as a result of which, if this particular momentum picks-up, we create some very interesting brands within the organization. At the same time, it will also give significant improvement on the profitability in the years to come ahead.

**Sriram R:** Okay. So just a follow-up, can you give some color on those two brands?

**Sachin Patel:** So, they are in two. The two brands, one is an anti-infective space and the other one is in the acidity space, so proton pump inhibitor. So, we decided to select general products which our field force was very happy to promote and at the same time had a good market size and the market growing. So, just basic parameters which anyone would pick before stepping in aggressively in the market.

**Sriram R:** What would be the margin in that segment?

**Sachin Patel:** Typically, on an average, you will see gross margins of almost about 70-odd percent, but then it would vary from product-to-product.

**Sriram R:** Thanks, sir. And lastly, on the hospital side, can you give some color on what is the market size?

**Sachin Patel:** As I explained, the hospital market size is quite significant, but we have to see which are the areas that we are in. If we talk about anesthesia, anesthesia has about INR700 crores, INR800 crores market. So, that is where there is one space. Now, we are in the intensive care unit. In intensive care unit, again, you have to divide into which part of intensive care do you want to target. So, it is a massive market, but it is very difficult for me to tell you on a macro perspective what would be the size of -- depend upon how much are we going to target.

Right now, as I said, anesthesia definitely intensive care for what we are doing for sure, in times to come without letting out too much in terms of strategy. I would put it this way that one-by-one, we intend to target most of the large businesses or large purchase areas in hospitals going ahead.

**Sriram R:** Okay. I am just leaving one more question here. I just wonder, who will be the Top 3 operating in this space? Some color of the competitive landscape?

**Sachin Patel:** So, again, it depends from therapeutic areas to therapeutic area. But overall, I would say that probably Cipla is doing extremely well in the hospital space. They have been doing for a very long time. But if you look at anesthesia, Neon does pretty well, Abbott does pretty well. So, as I said, overall, you have Cipla, but when you break it down, it would come down therapy-wise, who has the expertise or who has been focusing on this.

**Moderator:** Thank you. Our next question is from the line of Manoj Rajani, who's an investor. Please go ahead.

**Manoj Gajani:** Good afternoon, sir. So, I just wanted to, follow-up on the previous question. So, in the hospital sector, with the introduction of the new products, what is the estimated timeframe that the company might take to reach the breakeven point?

**Sachin Patel:** For hospital business, for every product that you launch, the marketing expense is significantly lower than what you would typically experience in trade. Secondly, and you already have your people in place so, you're not increasing the sales expense also, which means a number of people.

When we have general products, so the first 10 products that we would, that we launched during the course of the first six months of the year, we did not have significant expenses. So, whatever the gross margins are for that respective product is what would come to the bottom line plus minus a few percentage.

But when you have something like Remithem that we are just launching, over there, the investment would be quite significant from a marketing perspective. The reason is that it's the first to launch opportunity in the country, which means we have to go all around the country, brief the medical fraternity, exchange ideas in terms of how this particular product would be as good as we feel it is. And that investment is quite significant.

So, net of that, we hope that we will be in the green, but this is only required for the first few months after which whatever business that we are doing should straightaway contribute to the bottom line. And the margins for first launch opportunities are obviously significantly better than the other 10 products that we would have launched in the hospital business.

**Manoj Gajani:** Certainly. So, probably from H2, we should see the results, right?

**Sachin Patel:** That's right.

**Manoj Gajani:** Okay. And my second question is, what are the primary goals for creating RxThemis? And I mean, basically, just trying to understand the overall broad expansion strategy related to that?

**Sachin Patel:** What we are seeing is that a lot of companies which have brand equity in the market are growing a generic business. And the generic business is being grown in line with some of the policies that one can anticipate that the government will come out with, etcetera. So, we need to be prepared for that.

And at the same time, there are a lot of places where our traditional field force will not be able to touch, we will not be able to reach, while a generic field force and a distribution network may be able to create interesting value. And I think the generic business we feel is changing quite a bit. And we need to explore whether it is something for us or not.

So, mind you, we have formed this particular subsidiary, because we don't feel it is again, like the API business, this is not something which is in sync with the philosophy of the company per

se. But it is something that we need to explore, and we definitely need to look into considering the changes that are happening in the markets.

**Moderator:** Thank you. Our next question is from the line of Supan Parikh, who's an investor, please go ahead.

**Supan Parikh:** Hi, sir. Thank you for the opportunity. So, my question is, like, what factors drove that 15% year-on-year growth in revenue for this quarter?

**Sachin Patel:** Basically, what is the reason for the growth?

**Supan Parikh:** Yes.

**Sachin Patel:** Okay, so I think the key part is, first of all, the hospital business. The hospital business, as we said, grew by almost about 20%. So that was good. But if I have to be very honest, we were expecting more, and we feel that more is on the way. So hospital business definitely contributed. Also, the trade business, trade domestic business contributed quite significantly. We had almost about 35% to 40% growth over there.

So in summary, these were the two main areas. The domestic hospital and trade business were the major factors for the growth that we saw in the first half of the year.

**Supan Parikh:** Okay. So like, this growth are like, sustainable, right? Like, for the next quarter, as well as for the year-end?

**Sachin Patel:** We feel it should only improve. I think we are on the right momentum, and we feel it should only improve in the domestic market.

**Supan Parikh:** Okay, got it. And also, I wanted to ask, like, the EBITDA margin, like, for this quarter, it stands like anything around 11.8%. So what are the main reasons for such drastic fall in this margin? Like, if there is any reason?

**Sachin Patel:** Two very clear reasons. One is, about two quarters ago, we had said that there is a tremendous pressure on our key products in the API business. And we had changed the route of manufacturing for it to become much more profitable.

While we are ready with the change of the route, our customers, because it's a regulatory product, our customers are taking much more-longer than what we anticipated to move from our old route to the new route. So step-by-step, it is happening. But we are still supplying with the old route of manufacturing, where we have literally practically zero gross margin.

But we have to continue with that particular business in view of the fact that we don't want to lose the customers. But at the same time, we are working very closely with them to make sure that the new route comes in. And as the new route comes in, the margins should become significantly better. That is one.

And the second part is, if you see, the major increase in terms of our expenditure is in terms of manpower costs. And if we divide the manpower costs, a small percentage goes to increments, but a massive percentage goes to the number of people that we have added during the course of the first six months and even before that, vis-à-vis what we had in the same period last year. So those are the two major impacts, which have led to a reduced EBITDA. And we hope that, well, the latter part, which is there, people, we are very confident that, the productivity is going up month-after-month. So we expect the things to change in quarters to come.

And with regards to API also, we are ready, we are just waiting for the customers one-by-one to start changing from the old process to the new process.

**Supan Parikh:** Okay, so like we can expect to improve like in the coming quarter as well?

**Sachin Patel:** We expect to improve the same in the coming quarters. I would not say one particular quarter, but perhaps in the current quarter also, because factors which are in our hand, I can easily talk about, but factors which are not in our hand, we have to be cautious. But we remain quite optimistic on the same.

**Moderator:** Thank you. Our next question is from the line of Nihar Mehta, who is an investor. Please go ahead.

**Nihar Mehta:** Hi, sir. So the new manufacturing unit that we have set up in Gujarat, how it is going to develop or contribute to our business overall?

**Sachin Patel:** Any other questions?

**Nihar Mehta:** Yes. The second one is that I noticed some, there are some costing pressures which are impacting our API in the business. So have we taken any steps to overcome that?

**Sachin Patel:** Okay. Anything else?

**Nihar Mehta:** Nothing. These are the two questions.

**Sachin Patel:** Okay. So first and foremost, the unit that we set up in Gujarat is not a manufacturing unit, it's a small R&D unit. The reason is that we wanted to work on certain class of molecules that we could not work in, in our current R&D unit. So if you want to work on certain substances, which are not permissible to be used in the same lab as another one, because of multiple reasons, you have to have two separate areas. And we decided Baroda because we already had a small office over there, and we already had some people over there. So that became an obvious place for us to do this.

And with regards to -- so again, there is no additional manufacturing setup, which has been there. Yes, we've got two contract manufacturing facilities that we have aligned with, to manufacture more of the products, because that is just increase in demand that we have and we foresee in the coming quarters. And hence, we have had to start not just rely on our own manufacturing, but

also contract manufacturing, which is, we felt the right way, because we don't want to increase capex at this particular stage.

And the second part is with regards to the cost of goods. So if you see, we have increased from about 30% to about 40% of 10 base points, which is massive. As I explained to the in the previous response, it is predominantly due to the cost of goods of API, which have been high. But with the new process in place, and as the customers start changing from the old process to the new process, we should be in a position to correct this.

**Nihar Mehta:** Yes, sir. Thank you for the insight. Thank you so much, sir. And wish you the very best.

**Sachin Patel:** Thank you very much.

**Moderator:** Thank you. Our next question is from the line of Nikhil Arora, who's an investor. Please go ahead.

**Nikhil Arora:** Thanks for the opportunity, sir. If I'm not wrong, we had launched Lenzetto gynec product, I think a few quarters back. So if you could please throw some light on how was the response from the market for this product?

**Sachin Patel:** Yes, we had launched this particular product with two purposes. One is obviously we thought market potential and the other one is we also want to get into this particular space of gynecology, which we feel is quite interesting, primarily because our partners in Hungary are focused on women's health care, and we have a possibility of getting a lot of products which are innovative in nature in the future years to come. So it was it was a product based move but at the same time, it was also a strategic decision which was taken to enter into this particular space.

Now, while we have managed to engage with gynecologists all over the country, we've had a lot of interest by them coming into meetings that we've had, which we would have not had possible, if we were just going with a generic, that part has turned out pretty well. So I think strategically, we are our presence is felt amongst the category of doctors, the top end category of gynecologists we wanted.

But in terms of business, I must admit that the business has not been in line with what we had anticipated. It has been, I would say, very much lukewarm. It is predominantly not because of the product per se, but because of generally, the understanding or the notions that the medical fraternity holds over this category of products where acceptance is going to be slow, but we have to be there in the long run, because this is a market which is definitely holding a lot of promise in terms of the product, this particular product and for the products which are coming in the future, which is in the area of menopause.

**Nikhil Arora:** Okay, got it, sir. One more similar question like, sir, we have experienced a 20% growth in the hospital segment. So do we see a similar range of growth in the hospital segment for the next two quarters?

- Sachin Patel:** We should. In fact, as I had mentioned earlier, we should see a higher growth than what we've been seeing in the hospital segment, significantly higher growth than what we've been seeing in the hospital segment for the first half of the year, predominantly because we had a bit of a miscalculation in quarter 1 where we could not supply enough products vis a vis the demand that was there. So we have done all the de-bottlenecking now and we feel that we are on our way.
- Nikhil Arora:** And also the new product launches might help to boost the number?
- Sachin Patel:** Most definitely.
- Nikhil Arora:** And, sir, are there any geographical regions or specific services within the hospital segment that have shown particularly strong growth? Like what is driving this performance? I just wanted to know...
- Sachin Patel:** It is all across the country. There is no particular geographical area. In fact, we may have one or two weak areas like all divisions and all companies do, but predominantly it's all across the country. And what is driving the growth is I think we've been there now for about eight years or so in Anesthesia. So we understand how this particular business works. We have a good team in place and we more importantly have a stable team in place. So I think it's an amalgamation of all these things that come together for us to hold this much confidence that, yes, it's happening.
- Nikhil Arora:** Okay. Thank you so much, sir, for the insight and all the best for the future.
- Sachin Patel:** Thanks. Thanks very much.
- Moderator:** Thank you. Our next question is from the line of Manoj Gajani, who is an investor. Please go ahead.
- Manoj Gajani:** Hi, good morning. Good afternoon. Sir, just, I mean, I'm sorry if this would have been asked earlier. So if you could just please provide me some more information about the recent agreement with Gujarat Themis, regarding the related party transaction? I mean, what specific services or products will be involved in this arrangement?
- Sachin Patel:** So there is there is anything which is related to transfer of goods, etcetera. It would obviously be under, under a related party transaction, which has required prior approval and as for the statutory compliance, which needs to be taken care of. This particular agreement has been signed because there are some common people and common services between two units, which are literally, not next to each other, but very close to each other.
- And in case, some common service has to be taken by one or from one or the other company, then, every single time, it becomes a bit of a problem in terms of getting this particular service and hence, per month, x amount of money can or service can be taken. And that was that is the whole intent behind and nothing more than that.
- Manoj Gajani:** Okay, so Yes, that's it for my side.



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- Sachin Patel:** Okay, thanks.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question of our question-and-answer session. As there are no further questions from the participants, I now hand the conference over to Dr. Patel for closing comments.
- Sachin Patel:** Thank you very much. So, at the end, I would like to thank the entire team of Themis Medicare for their untiring efforts, hard work and dedication, which drives the company forward to various market conditions. Thank you, everyone for participating in our Q2 and H1 FY '24 earnings call. In case of any further queries, you may get in touch with AdFactors PR or feel free to get in touch with us. We look forward to interacting with you. Thank you very much and have a good afternoon.
- Moderator:** Thank you. On behalf of Themis Medicare Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.