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13th February, 2023

Listing Department,
BSE Limited,
P. J. Towers, Dalal Street,
Mumbai-400001

Listing Department,
National Stock Exchange of India Ltd.
"Exchange Plaza",
Bandra – Kurla Complex,
Bandra – East, Mumbai- 400 051

BSE Scrip Code: 530199

NSE Scrip Code: THEMISMED

Dear Sir/Madam,

Subject: Transcript of the conference call held on 10th February, 2023.

Pursuant to Regulation 30 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our letter dated 7th February, 2023, intimating you about the earning conference call for Q3 & 9M FY23 with Analysts/Investors held on 10th February, 2023, please find attached herewith the transcript of the aforesaid conference call.

The above information is also available 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 Q3 & 9M FY23 Earnings
Conference Call”

February 10, 2023



**MANAGEMENT: DR. SACHIN DINESH PATEL – MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER
MR. TUSHAR J. DALAL – CHIEF FINANCIAL OFFICER
MR. SANGAMESHWAR IYER – COMPANY SECRETARY
& COMPLIANCE OFFICER**

Moderator: Ladies and Gentlemen, good day and welcome to Themis Medicare Limited Q3 and 9M FY23 earnings conference call.

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 guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 call, 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 Dr. Sachin Patel – Managing Director and Chief Executive Officer of Themis Medicare Limited. Thank you and over to you, Dr. Patel.

Dr. Sachin D. Patel: Good afternoon everyone and thank you for joining us on this call to discuss the 3rd Quarter and 9 months' 'Business and Financial Performance' of Themis Medicare. I would like to start from where I left last time.

The company continues its strategic focus on the hospital business. In this regard, we have started a new division in intensive care in the previous quarter. This division will be fully operational by March latest 2023. We have already started recruiting a team consisting of personnel with significant prior experience in this area. Overall, the hospital business will be in line with last year's business. This is to be seen in light of the fact that last year, we had about Rs. 65 crores of hospital business which was COVID related which essentially consisted of one-time orders in this segment.

Coming onto the API segment:

We have witnessed certain challenges during the 3rd quarter. There was a significant increase in the input costs for one of our key APIs during this period. The high cost has significantly impacted on gross margins. This would have in turn led to substantial erosion of profitability. Hence, we took a strategic and conscious decision of reducing production of this API and we manufactured it only to meet our contractual commitments. This also led to higher material cost in the quarter that just passed by. Of course, process improvements have always been an endeavor for us so that we can achieve better efficiencies. Moving on this path, we have already devised an alternative route for manufacturing the product we just discussed. The production by this route would start by the end of 4th quarter or early next financial year at the latest. Further, currently we have 3 additional APIs and validations which are expected to go into commercial production by Q2 or Q3 of the next fiscal. We also have a strong R&D pipeline to follow this. Based on this, we have confidence to take 2 exhibit batches per quarter

from Q1 of the next fiscal. Ideally, it takes us about 6 months for an exhibit batch or validation batch to reach a commercial launch in the domestic and ROW markets.

Now, turning to our financial performance for Q3 FY23. We reported about Rs. 89 crores in revenues during the quarter, a decline of 6.7% year-on-year. This decline in revenues is on account of reasons explained earlier. Our EBITDA for the quarter stands at Rs. 15.27 crores with an EBITDA margin of Rs. 17.2%. PAT for the quarter stood at Rs. 13.31 crores as against Rs. 12.46 crores in the 3rd quarter of the previous year, a growth of 6.86% year-on-year. The net profit margin stood at 14.99% and the EPS for this quarter is 14.47.

For the 9 months, we reported Rs. 274 crores in revenues as against Rs. 314 crores in the 9 months of the previous year. Our EBITDA for the period stood at Rs. 56.97 crores with EBITDA margins at 20.78%. PAT for these 9 months is Rs. 48.5 crores and the net profit margin stands at 17.68%. The EPS for the period is 52.71.

This is all from my side. I would now like to open the floor for questions & answers.

Moderator: We will now begin the question & answer session. We have the first question from the line of Keshav Garg from Counter-Cyclical PMS. Please go ahead.

Keshav Garg: Sir, I just wanted to understand that we have mentioned in our presentation that we are expecting a 35% CAGR on revenue for the next 3 years which translates into Rs. 1,000 crores top line in the next 3 years. But this year, at best, if we are fortunate, we will be able to meet last year's revenue of Rs. 400 crores. In that case, do you think that it's a realistic enough target that we will be able to reach Rs. 1,000 crores top line over the next 3 years?

Dr. Sachin D. Patel: Yes, Keshav. I think at the start of this year and even during the previous call, we had mentioned that this year we will have an increase in the stand alone business that we have, but we have to take into account the close to Rs. 65 crores worth of COVID-related revenues that we had last year. Nevertheless, we hope to achieve numbers which are close to last year's numbers that we have. Going ahead, we are very much still counting on the fact that we will have a CAGR revenue growth of 35% for which we have some plans in place, some of which will be organic and some of which will be inorganic in nature, but both combined together, we most definitely are still looking at a CAGR growth on a consolidated basis of 35%.

Keshav Garg: That's very reassuring. And sir, also wanted to touch upon that our associate which we control, GTBL, over there, last quarter there was a proposal to acquire some stake at around Rs. 750 which we chose not to proceed further, but now with a significant fall in the price of the stock of GTBL – as the price keeps on reducing, the attractiveness keeps on increasing – does it make sense now to proceed with the same to increase our stake in that promising company?

Dr. Sachin D. Patel: We have not looked into that particular scenario right now and in the near future, we have no intentions of doing the same. I think you were present in the GTBL call also. So, you have a

fair bit of clarity in terms of what our opinion on GTBL as a company also is. But at this particular time, there is no intention of acquiring that 7 odd percent share of GTBL.

Keshav Garg: Lastly, there was a question raised in GTBL call whether the API business, we are also hiving off our API business in a separate subsidiary whereas GTBL is also venturing into APIs. Is it a complementary business across both or is it totally independent? Or how should it be looked at?

Dr. Sachin D. Patel: Predominantly, GTBL is a fermentation company as you know, again, since you were in that particular presentation and you have a fair bit of idea on GTBL. In Themis Medicare, we have an API business, and in principle, our thought process remains pretty much the same that API businesses are significantly capital required oriented which means that we will have to put in significant CapEx for the API business to grow in the future, which is not the case with a finished dosage form business, especially looking at our vision over here, which is hospital business in India. So, one is an OpEx-related business and the other one is a CapEx-related business and we feel that looking at the environment which is there in India and globally where everyone is looking for Indian API manufacturers, there is a fair bit that we can do with our history and our capabilities in our API business, but this is going to require significant investments going ahead. We may be able to grow by a certain percentage over a year or maybe a bit more than that but to grow beyond that and achieve the next scale, there is going to be a significant CapEx which is required and we are preparing. We are preparing for that inorganic growth in the API business by creating this particular subsidiary so that it has the possibility to flourish in the environment that we see right now.

Keshav Garg: Lastly, I wanted to touch upon the significant increase in our receivables as on September ending. What is the status of the same now? What is the number currently as of 31st December or even 31st January?

Dr. Sachin D. Patel: With regards to 31st December, we had significant receivables because there were a few transactions that we had done in Europe for which payments are delayed, but you will be pleased to know that almost about 60% of which have already been recovered by as at the end of January.

Moderator: The next question is from the line of Rushab Shah from RBSA Investment Managers. Please go ahead.

Rushab Shah: Sir, we are targeting a significant growth, maybe Rs. 900 crores to Rs. 1,000 crores plus. Can you just share some road map as to how much of it will come from new products and how much from existing products? And also on the margin side, you are saying that 25% margins we are targeting. And historically if I look at Themis, it has never touched 25%. So, is it that the new products will be at 30% plus margin? If you please share some thoughts here.

Dr. Sachin D. Patel: There are 2 questions over here. One is with regards to the CAGR growth of 35% that we are planning on a consolidated basis and the other one is the margin. The growth that we are planning is we have a strategy in place. It is two-fold. One is most definitely increasing our business in the hospital area which is where we have become much more aggressive. We have also added an additional team which will be fully operational by either the end of March or latest if we take some more time by the end of June, conservatively speaking. I think this team plus the teams that we have set up last year, which should also start being productive in the next year will definitely add to the sales volumes on the top. Besides this, we have a couple of partnerships that we have made on behest of which we feel very confident that our top line will increase. This is on the finished dosage form side. Thirdly, significant revenue should also increase on the API side. API, as you know, is a high-volume high-value business. A combination of these 3 things, i.e., 1) Increase in our hospital business/some of the divisions that we had created last year becoming more productive, 2) Partnerships that we have actually formed, 3) With regards to the increase in API business; with all these 3 things, we feel that the top line should definitely increase in line with our planning. Secondly, with regards to the EBITDA margins which are there, I agree with you that if you see our 9 months, right now, we are at about 20% and we are making a claim that we want to move to 25%. What we are counting on is that we will not need to add so many people as we did last year. If you see our maximum expense that we have in our company is related to people. We are counting on the fact that we will not have to add too many people now, but the current number of people that we have increased in the field will start giving additional productivity for which our EBITDA margin should improve by a few basis points.

Rushab Shah: Sir, you are saying that the journey from the 20% to 25% will be mainly driven by operating leverage. What about the mix of, say, the new products that you are saying new API products? What margins will they be coming along?

Dr. Sachin D. Patel: Again, I will divide it into 2 aspects. One is the finished dosage form increase which is there. In the finished dosage form increase, we are looking at a gross margin of even 40%, 50%, or 60%, 70%. Whatever may be the case, our fixed expenses should not increase significantly. So, the same people should be able to promote the respective products and hence we are expecting an increase in EBITDA levels over there. With regards to APIs, the APIs that we are launching would definitely target a gross contribution of about 50% as a result of which we expect these EBITDA levels of the API business also to contribute.

Rushab Shah: In R&D, if you could share, what is the 9 months' spending that you have done? Is it that the customer is asking to do some R&D or is it completely based on our market study we are doing the R&D? If you please share what kind of R&D you are doing and what kind of therapies we are targeting, sir?

Dr. Sachin D. Patel: Our R&D, the exact numbers I will ask Mr. Tushar Dalal to give at the end of this particular answer. With regards to R&D, absolutely no R&D at our end is given by our customers. We

are doing the entire R&D on the basis of what we see as market potential and what we see as our strategy. It is not a CDMO activity or a CRO activity that we are doing at any level.

In terms of investments in R&D, what is our focus? We have 3 focuses. One is generic injectables where we see significant market potentials in ROW markets including India. The second is new drug delivery systems where we feel that we can... and again, in the injectables space because the focus of our vision is hospitals. So, in the injectables space, what can we do whereby we can have IP, i.e., intellectual property, and at the same time, a significant market which can allow us to enter into the Indian market and other markets where our gross margins can improve significantly from where they are right now. And the third area of investments in R&D is obviously API research which we are doing already.

Rushab Shah: Whatever investments we are doing in R&D, when can we see a significant fructification in terms of P&L in the next 1 or 2 years or 3 years? Any timeline that you can share?

Dr. Sachin D. Patel: We are talking about next quarter, as I mentioned in my introduction. For example, in the case of API, we are looking at taking 2 new molecules every single quarter in exhibit batches, which means 6 months after that we should be seeing top line revenues and bottom line revenues from there.

Rushab Shah: Sir, will you just share the number for 9-month R&D spends?

Tushar Dalal: We have spent around Rs. 355 lakhs during the course of 9 months.

Rushab Shah: In the last call, you had mentioned that over the last decade why the business is not able to grow because there are some significant setbacks that you have mentioned is due to a particular customer, etc. Are those issues behind us now in terms of, say, litigation or any pending trade receivables? Have the balance sheet and P&L been cleaned up?

Dr. Sachin D. Patel: We will divide the subject into 2 parts. One is P&L clean up and the other part is with regards to any litigations which are ongoing. The litigations are ongoing. We are still working on the same because we feel that we were right, but the upsides of those litigations if they come our way are not included in our business plan. That is one part of it. And the second part of it is I don't think any of those litigations or any of those issues have any bearing on our P&L currently or in the future because if we have any positive outcome from it, it will only give us an upside.

Rushab Shah: Last question from my side. How does the management divide the team between Gujarat Themis and Themis Medicare? And which business do you think has relatively better business prospects?

Dr. Sachin D. Patel: I think we have an excellent team in Gujarat Themis also under the leadership of Mr. Rajneesh Anand and we have a good team in Themis Medicare also, which has been with the company

for significant number of years even through some difficult times and with some very good pedigree. I think we are well placed in terms of people, I would say, not by luck but by luck and by design. We are pretty comfortable on that ground.

And with regards to which one is a better business, I think both of them are very exciting in their own different ways, very different areas that they are focusing on but both of them are extremely exciting.

Rushab Shah: Sir, just a last request. In terms of breakup between tablet, ointment, ampoules, vials, and PFS, we don't share these numbers. Is it possible to share those numbers also – revenue breakup?

Dr. Sachin D. Patel: No, we would not like to put that particular information out. But what we have put out is the information in terms of what our vision and what our focus is, what is the amount of business that we are doing on hospitals, what is the business that we are doing on API, and how we want our hospital business to grow quarter-on-quarter.

Rushab Shah: Currently, what is the contribution of top products, say 1 or 2 products, in our current business?

Dr. Sachin D. Patel: Again, when we are talking about hospital business, it has a different level of complexity. We are not talking about having 1 big brand which is there but a significant number of products that are supplied to the hospital because as you can imagine, when you enter into a hospital, they want a lot of products. So, the idea is to keep everything ready for them to.... Of course, it is not as simple as that. There are a lot of other complexities which are associated with it, but it is a different nuance with regard to business.

Rushab Shah: In terms of APIs, you have mentioned simvastatin, fumagillin, and ketamine. What is the contribution of these 3 products? Is it possible to share?

Dr. Sachin D. Patel: Not the details in terms of how much sales we have for each of the products, but overall, we can say that traditionally the largest product for us has been simvastatin and it continues to be.

Rushab Shah: But would it be more than 20% of our top line or less than that?

Dr. Sachin D. Patel: I think our overall API business would be about 35% of our overall business.

Moderator: The next question is from the line of Anant Shenoy from AS Capital. Please go ahead.

Anant Shenoy: Sir, my first question; on the investor presentation, we have mentioned API is like a legacy business, but going by what you are telling now, we have significant plans for scaling up also. And you have also mentioned that we are working on an alternative strategy for the API business. Can you please elaborate on how we are planning to scale this up in the API business?

Dr. Sachin D. Patel: I think for probably a decade or even more, we have considered API as a legacy business but I think not just for us but for a lot of companies in India, that changed during COVID. Essentially what happened at that particular time is that globally everyone wanted China plus one. A lot of business which was essentially always a China business, the world is looking at it very differently. There is a tremendous opportunity that we saw last year in terms of how to convert this legacy business into something which is really exciting for the future. What we started off with last year is to create R&D infrastructure for APIs and I think that was a good call because now we have a pipeline of products that are going to come out every quarter, as I mentioned. As a result of this, of course, we are going to require capacity. Now certain capacities we already have, but a lot of which we don't have. Now we have, but at the same time, we have options. Since the product is ours and since the R&D is done at our end, we have a possibility of using infrastructure of other companies to produce the same and commercialize the same because we believe that there is enough margin over here for the products that we have developed to produce it even in other facilities and sell this globally. That is what we meant by alternative capacity. Of course, we keep on increasing our capacity, but our R&D output would perhaps be larger than the capacities that we will be creating. That is also, in a way, the reason why we have actually decided to put this into a subsidiary company because there will have to be an alternative strategy in terms of how to find means and ways of commercializing our pipeline at a very rapid pace.

Anant Shenoy: And the second question is about, you mentioned that simvastatin is 35% of the overall sales or API sales?

Dr. Sachin D. Patel: API business is 35% of our overall sales.

Anant Shenoy: Of the API business, how much percentage is simvastatin? Is it a significant portion of the API business?

Dr. Sachin D. Patel: It is a significant part of the API business.

Anant Shenoy: In the investor presentation, the mentioned capacity of the 2 facilities of our APIs is around 310 metric tons. I wanted to understand what is the peak sales that we can achieve with the current API facilities and after which we need to go for significant expansion?

Dr. Sachin D. Patel: I will put it this way that obviously when we are writing capacity in terms of metric tons, to translate it into rupees really depends upon what API you are going to manufacture because one API could be Rs. 1,000 a kilo, another API could be Rs. 1,00,000 a kilo. So, the numbers become quite different depending upon what we decide to produce. But to give a kind of a guesstimate in terms of how far we can go on the basis of the current facilities that we have, I think we should be in a position to achieve anywhere between Rs. 250 to Rs. 300 turnover from our current API capacities that we have.

Anant Shenoy: Rs. 250 crores to Rs. 300 crores per year of API sales?

- Dr. Sachin D. Patel:** That's right.
- Anant Shenoy:** And in terms of R&D, in the investor presentation it is mentioned that.... If I check the formulations and the API division R&D, the strength of R&D in the API division is much more compared to formulations. Will it remain this way? Because the way you were saying initially that we are spending more on formulations and investing in the marketing and all that. But from an R&D perspective, will it be more towards APIs? Or how do you see that?
- Dr. Sachin D. Patel:** Both the R&Ds have very different characteristics – API and finished dosage form. In API if I want to produce 1 API, I have to produce 6 intermediates. Practically speaking, there are 6 products that need to be produced. In finished dosage form when I want to produce 1 product, I have to produce 1 product. That is the big differentiator between API and finished dosage form R&Ds. And in terms of finished dosage form R&D, the maximum cost comes from the clinical studies and the preclinical studies. If you see our R&D spend last year, it was close to about Rs. 13 crores in the entire year because a lot of products came in the clinical trial phase. This year, so far it is only Rs. 4 crores or Rs. 3.5 crores in 9 months. But once the finished dosage form comes to a stage whereby we are ready to do animal studies and preclinical studies and human studies, the cost will skyrocket. So, it is a bit difficult to compare API R&D costs and people vis-a-vis finished dosage form R&D costs and people because the finished dosage form cost comes in at first.
- Anant Shenoy:** Since we are more focusing on the formulations and there we have to spend much more for clinical and animal studies and all that, do you expect this R&D spend from Rs. 13 crores to go up significantly in the next 3 years?
- Dr. Sachin D. Patel:** Most definitely. In the next year itself, it will go up significantly because some of the products that we are working on right now in the area of new drug delivery systems will come into animal studies in this quarter itself and human studies hopefully in the next financial year. That should significantly increase the cost.
- Anant Shenoy:** Can you give us some ballpark number like from Rs. 13 crores next 2-3 years....?
- Dr. Sachin D. Patel:** In the next financial year, it could almost double up.
- Anant Shenoy:** And despite this one, you are guiding that our EBITDA margin will go to 25% in the next 3 years?
- Dr. Sachin D. Patel:** That is what we are aiming for.
- Anant Shenoy:** And coming to this formulation division or the hospital division, there are market leaders like Neon with full range of products and whoever I talk to, they are telling that they are sourcing from Neon, the hospitals that I know. What is our strategy? Do we go with the reduced prices? Or how do we compete with someone like Neon or other companies?

Dr. Sachin D. Patel: In every single segment that you look at in the Indian market, there are multiple companies. If we want to grow in India and if we want to go in a respective segment, we have to figure out our strategy in terms of how we are going to go and compete with whoever is there.

Anant Shenoy: Since we are more focusing on this and increase the sales, are we going with the reduced prices in this segment or how does the pricing work? Do hospitals look at the prices while buying from the customers? I think they will be looking at the prices and the basket. Can you just talk about how is the pricing in this segment?

Dr. Sachin D. Patel: Customers, in our experience, look at both. They look at the pricing, they look at the quality, they look at multiple aspects of it. As I said, the hospital business is not only, if I may say so, a pricing business. If it were the case, then you don't need medical representatives. You can simply just quote to all the hospitals, have distributors and they can supply it to them. But that is not the case, clearly. There is a fair amount of complexities in just pricing that drives the hospital business.

Anant Shenoy: In the formulation business, how much percentage do we export?

Dr. Sachin D. Patel: Last year was quite significant because of COVID. That is where the COVID-related business came from. In this particular year, I think it would be less than perhaps 8% to 9% of the overall revenue – the formulation exports – but that is where we feel that over the next few years, there will be a good enough growth for us to be still interested in it.

Moderator: The next question is from the line of Kushal Rughani from HDFC Securities. Please go ahead.

Kushal Rughani: My question was somewhat related to previous participants only. What is the competitive landscape in the hospital business and which are the key competitors and how is the strategy of Themis vis-a-vis to competitors?

Dr. Sachin D. Patel: Hospital business is exciting for a lot of companies. As we have also put it out, with increased number of the Indian population having health insurance, the number of people going to hospitals is going to increase, the number of hospitals is going to increase, and hence it's an interesting space. Second, as a result of this, a lot of companies are going to focus on hospitals and I am sure each one of them is going to have their set of strategies to enter in. From our perspective, we have some kind of a position in the hospital business because of the anesthesia portfolio that we have. And the reason or the way we actually manage to be in this particular position, I believe that we are probably number 3 or so in the anesthesia area in the country. The way we were able to come to this particular position is by making sure that we had some products which were first-to-launch opportunities in India, which we developed in-house. And this is what we will continue to do in the future. We have got some products in our pipeline. One of them expected to come out as early as June-July of this year. These are the kind of things that will ensure that our penetration into hospitals increases. It is not just by giving low rates because we feel that, that is in contradiction to our overall vision in terms of EBITDA

margin aspirations. But it has to be with new product launches and at the same time making sure that we have a complete product portfolio of generics too.

Kushal Rughani: Which could be the key competitors for Themis? Top 5 or 10 players if you can help in name them?

Dr. Sachin D. Patel: If I have to talk about anesthesia and pure hospital business play, probably the largest company in India to look at would be Fresenius Kabi. They are a European company. They have a significant presence in India in hospital business. I think Baxster, B. Braun, Otsuka, and a lot of companies that do high-end into anti-infective also; and of course, there are some specialized ones. There is a fair number of companies, but there is, if I may say so, a fair amount to do and grow upon also.

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

Ashni Shah: Sir, my first question is regarding an agreement with Cipla for an anti-TB product which you have mentioned in your investor presentation. What are the developments on this agreement? If you could just share some details about it.

Dr. Sachin D. Patel: We have put an agreement in place with regard to joint tuberculosis product development where one of the new products which has been recently approved by the WHO is included in the development program whereby we have the manufacturing capabilities, dedicated areas which it requires, and Cipla have the marketing network and the distribution network. So, together, we hope that we should also be able to produce this and commercialize this in India and other parts of the world. We will see how it goes. The first product has received product approval with the DCGI in India. But it is too early days to figure out how this business will roll out in the future.

Ashni Shah: And sir, one other question. Are we selling any products related to fermentation in Themis Medicare?

Dr. Sachin D. Patel: In terms of APIs, we are, but we are selling semisynthetic fermentation-based products which means the intermediate would be fermentation based. For example, when you are manufacturing simvastatin, you manufacture some lovastatin. Lovastatin is a fermentation-based intermediate and simvastatin is a synthetic API which is produced from that. That is how we are related to the fermentation section.

Moderator: The next question is from the line of Harsh Shah, a retail investor. Please go ahead.

Harsh Shah: As a promoter for both GTBL and TML, how do you divide your attention between the two businesses?

- Dr. Sachin D. Patel:** I think this question was already asked by a caller earlier, and I said that we have excellent teams on both the sides. The organization structure is pretty well set and very well defined in terms of all the responsibilities.
- Harsh Shah:** Lately have you submitted any patent application or do you intend to submit any additional patent applications?
- Dr. Sachin D. Patel:** When we are working NDDS continuous process. We continuously are developing products and filing patents. I don't think it is only for today or tomorrow. It is a continuous process.
- Harsh Shah:** And sir, last question. As a part of the demerger process, Themis Lifestyle Private Limited is obligated to pay Themis Medicare Limited an amount of Rs. 125 crores. Is Themis Lifestyle in a position to provide this sum? And if so, what is Themis Medicare Limited's plan for the use of these funds?
- Dr. Sachin D. Patel:** I will ask Tushar Bhai to respond upon this because the details of this are still being worked out.
- Tushar Dalal:** The consideration for the transfer of these particular two units is around Rs. 125 crores. The TML will have the outstanding in their book of accounts Rs. 125 crores so that that particular company TSPL (Themis Lifestyle) will have to make payment of Rs. 125 crores and that will be in the form of cash and/or share certificates. And Themis Medicare being a holding company, we will also support them in this particular activity.
- Moderator:** The next question is from the line of Joseph Mathew, an individual investor. Please go ahead.
- Joseph Mathew:** If I talk about return on capital employed (RoCE), what do you think according to you is a target for the RoCE by the end of the year? And what is the projected RoCE in the future? Can you outline the plan for achieving these goals?
- Dr. Sachin D. Patel:** I think perhaps Tushar Bhai will take time to come back on this particular question. And it may be a better idea to connect with us offline on this.
- Joseph Mathew:** Yes, sure. I have other questions as well. You earlier mentioned in the call that you plan to double your numbers in the next 2-3 upcoming years. As per the outlook in the next 3 years in terms of revenue and net income, how do you think this is going to pan out? What are the strategies or what are the processes in your business that you are going to follow or implement to achieve these numbers?
- Dr. Sachin D. Patel:** I think I mentioned this again in the previous questions that have come up. Our focus is going to be three-fold. We see a significant increase in the hospital business. That part is definitely going to be one contributor to it. The second part is we also see an increase in the API business. We see revenues increase over there. That is going to be a second part of it. And thirdly, some of the partnerships that we have formed and we are in the process of forming –

be it the one with Cipla on tuberculosis or some of the partnerships that we are currently in the process of working on with regard to some of our new drug delivery systems. It will be a combination of all these 3 things with which we are planning to achieve these numbers. And of course, we are also looking at inorganic opportunities in the hospital area. If those go through, then that will further contribute to this particular increase that we are planning.

Moderator: We have a followup question from the line of Ashni Shah, an individual investor. Please go ahead.

Ashni Shah: Sir, I just have 1 followup question on the agreement with Cipla. You mentioned that the agreement with Cipla is regarding the anti-TB API. Gujarat Themis also has anti-TB product in the portfolio. And we were also thinking of doing forward integration in Gujarat Themis. I just wanted to understand is there any overlapping of products here?

Dr. Sachin D. Patel: No, there is no overlapping of products.

Moderator: The next followup question is from the line of Keshav Garg from Counter-Cyclical PMS. Please go ahead.

Keshav Garg: Sir, I just wanted to confirm our CapEx plans for the next 2 years for FY23 as well as FY24.

Tushar Dalal: The CapEx is in the range of around Rs. 40 crores to Rs. 45 crores in the current year as well as into the next coming 2 years.

Keshav Garg: So, basically FY23, FY24, and FY25?

Tushar Dalal: Yes.

Keshav Garg: Sir, I also wanted to understand what percentage of our drug portfolio is under NLEM and drug price control order?

Tushar Dalal: Under the NLEM, very few products are there as far as we are concerned. However, some of the products are there under the NPPA. But very few products are there under the NLEM.

Keshav Garg: Sir, broadly if you could just quantify like 5%, 10%. In percentage terms, what percentage of our portfolio would be under price control?

Tushar Dalal: It will be around, say, 10% of my total portfolio will be under the NPPA.

Keshav Garg: And also, it was mentioned that your current capacity for APIs if you operate at full capacity, you can generate around Rs. 250 crores to Rs. 300 crores. Out of this, is this number for external sales after our captive requirement is met or does this include our captive requirement also?

- Dr. Sachin D. Patel:** This would also include our captive requirement. But our captive requirement at this particular stage in value terms is very small.
- Keshav Garg:** If you could just give us some idea how much would be the external sales approximately?
- Dr. Sachin D. Patel:** Almost 80% to 85% would be external sales.
- Keshav Garg:** Sir, lastly just wanted to understand that with Amazon entering the online pharmacy business and Reliance acquiring Netmeds, how do you see the competitive situation in the industry changing? Because, after all, the hospital business that we are trying to get, these Netmeds, etc., can also fulfill that kind of requirement since they are anyway sort of an aggregator. Don't you think that going forward, the competitive intensity will increase?
- Dr. Sachin D. Patel:** The distribution network and mechanisms in India are changing extremely rapidly every single day. There is disruption that one can expect for, I think, all industries – not just pharma industry, but all industries. And I think that is something that we need to be aware about every single day and keep that into account to make sure that our strategies are aligned with it. From our angle also, while we are working in the hospital business, we need to make sure that we are aligned with whatever is happening on the distribution side so that we don't have a sudden shock. But I think if you look at it from a positive perspective, there is a lot of advantage to take from that too.
- Keshav Garg:** Sir, considering our 25% margin target, it will become even more challenging since these people have the advantage of huge scale. Basically, how do we counteract this? Do we have any plans to go online or set up some kind of a portal through which hospitals can place their order, etc.?
- Dr. Sachin D. Patel:** No, we don't. We don't have any such plans. I think there is a very good system that some of the companies have already put into place. By companies, I don't mean pharma companies but the specialized companies in distribution. It would really be, in my opinion, now a futile attempt to do something like that. I think we are probably late by a decade in terms of doing that.
- Moderator:** Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Dr. Sachin Patel for closing comments. Over to you, sir.
- Dr. Sachin D. Patel:** I would like to thank the entire team of Themis Medicare for their untiring efforts, hard work, and dedication which drives the company forward through various market conditions. Also, thank you everyone for participating in our Q3 & 9 months' 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 in the future again. Thanks very much and have a good day.



*Themis Medicare Limited
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Tushar Dalal: One query was there regarding the ROCE. Even though this is a forward-looking statement as far as March 2023 is concerned, I can say that we can expect, say, around 25% to 30% ROCE for this particular current year.

Moderator: On behalf of Themis Medicare Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.