

## Q3 2011 Earnings Call - Bliss Gvs Pharma

Dt- 3 Feb'11

### Operator

Ladies and gentlemen, good day and welcome to the Bliss Gvs Pharma Limited Q3 FY11 Results Conference Call. We have with us on the call today Mr. S. N. Kamath, Managing Director and Mr. Vipul Thakkar, Manager, Finance. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. S.N. Kamath, Managing Director. Thank you and over to you, sir.

### S.N. Kamath, Managing Director

Good evening, ladies and gentlemen and I welcome to conference call on Bliss Gvs Pharma. I am with Mr. Vipul Thakkar, Manager, Finance.

Before I start my discussion on financial, let me give a brief of background of the company, in the business of manufacturing female contraceptive, soft pessaries and suppositories. We had started this manufacturing company in 1985. Our manufacturing plant is located at Palghar, which is around 90 kilometers from Mumbai.

Being the WHO-GMP certified company, we comply with the norms led down by the Food & Drugs Administration, maintaining the high international G&P standards. We manufacture as USA specification of vaginal pessaries and suppositories like clotrimazole, Povidone Iodine and other lot of products.

In the anal route, we call it the suppositories. We manufacture lot of anal suppositories for various treatments. We also manufacture the range of products for pessary and formulations and suppository formulations and rest products like tablet, dry syrup, calcium tablets, injectibles, antimalarial products, anti-inflammatory tablets, anti-diarrhoeal tablets and other like ointments.

We basically, at least 85% of the sales we are doing in African country and South Asian countries and more than about 600 products have been registered in major African and South Asian countries like Russia. We are focusing on

untapped opportunity regulatory markets long-term. We plan to set up additional factory in Kuwait with the technical joint venture as well as the manufacturing know-how everything will be given by Bliss Gvs. And this company, we are starting very soon in Gulf and we are entering the GCC market through our joint venture partners of Kuwait, Saudi Pharmaceutical Company in Kuwait. And next five, three years, we are coming with another three clients in African countries having the latest modernized factory in this country.

Our most innovative product is today vaginal contraceptive. Last 25 years we are selling this product in Indian market as well as in African market. Further, we plan also establish the method of preventing and convincing of the contraceptive, other products like in OTC, like Maitri, Today contraceptive and other like Today Hand Sanitizer, other products we are starting in OTC market. And in ointment sections like anti-fungal, anti-inflammatory and like tablets like antimalarial, we are very strong in antimalarial in African countries. We sell very big quantities in the African countries.

And our planning to enter the UK market with the regulatory and we are coming with a new plant in Palghar itself. Already we have completed the construction and the trial batch is already in there under production.

By March or April we are starting our production. And further to regarding the financial and the results of the third quarter, Mr. Vipul Thakkar will take over the discussion.

### Vipul Thakkar, Manager, Finance

Thank you, sir. This is Vipul Thakkar, Manager, Finance. Ladies and gentlemen, I welcome you once again.

For the quarter ended December 2010, our total revenue stood of Rs. 51.12 crores and the profit, net profit is 13.60 crores. The EBITDA for the quarter stood Rs. 16.92 crores, with a revenue of 51.12 crores. The EBITDA margin stood at 33%. Our earnings per share, called EPS, for the quarter was Rs. 1.32 as compared to the 1.34 in the corresponding quarter for the last year.

Now, let us talk about the nine-month result. The nine-month period ending for the 31st December, 2010, we generated total revenue of Rs. 158.67 crore. This represented 27.36% growth over the nine-month period of previous year. Our net profit for the period nine-

month is 42.97 crores as against 35.06 crores. EBITDA for the period stood at 54.14 crores. EBITDA margin at 34.12%. our EPS, earnings per share, for the period was 4.17 as compared to 3.40 at last year nine-months.

We are open that if you need any kind of questions, just ask me.

## Questions And Answers

### Operator

Thank you, sir. Are you ready to take questions right now?

### Vipul Thakkar, Manager, Finance

Okay.

### Operator

Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions]. The first question is from the line of Deepak Agrawal from Impetus Advisors. Please go ahead.

### Deepak Agrawal

Sir, in the March and April, can you just tell us again that?

### Operator

Excuse me Mr. Agrawal, could you please repeat the question again, sir?

### Deepak Agrawal

I missed your earlier part where you were saying that the production is going to start in March, April. What was that regarding?

### S.N. Kamath, Managing Director

The new plant.

### Deepak Agrawal

Where exactly, and how big is that?

### S.N. Kamath, Managing Director

That is next to, adjoining to the, our factory out at Palghar.

### Deepak Agrawal

Okay. And how, what is the capacity et cetera?

### S.N. Kamath, Managing Director

Capacity 150,000 suppositories per day into 25 days, 3.7 million suppositories per day as suppository and pessaries manufacturing.



**Deepak Agrawal**

Okay. And what is the existing capacity for suppository?

**S.N. Kamath, Managing Director**

That we can go for at least two shifts. two shifts we can manufacture about 7 million suppositories can be manufactured in two shifts.

**Deepak Agrawal**

And how, what will be the. I mean how do you expect it to ramp up, the utilization of this capacity?

**Vipul Thakkar, Manager, Finance**

See, we are planning to come out with the plan exclusively for the regulated market called UK MHRA. As of now, we are the WHO-GMP certified company. And new plant, that is exclusively at the standard of UK MHRA, so that we can cater the regulated market.

**Deepak Agrawal**

Hello?

**Vipul Thakkar, Manager, Finance**

Yeah.

**Deepak Agrawal**

Okay. And can you give the current debtor? What is the amount of debtors as of now?



**Vipul Thakkar, Manager, Finance**

Around 140 days.

**Deepak Agrawal**

140 days. Why it is so high?

**Vipul Thakkar, Manager, Finance**

See, because we are operated in niche market, first of all. Again, whatever we are selling, that is we are selling our brand, we are not selling any kind of generics. So brands, it should be established. As soon as we are introduced, every year targeting three or four brands every year, so that cycle will take around 100-120 days of average time. But we are targeted to close the debtors near about 120 days by the end of March or first week of -- mid of the April.

**Deepak Agrawal**

Okay. Fine, that is from my side.

**Vipul Thakkar, Manager, Finance**

Okay. Yeah. Thank you.

**Operator**

Thank you. [Operator Instructions]. The next question is from the line of Mr. K.C. Suri from Span Capital. Please go ahead.

**K.C. Suri**

Sir, thank you for taking my question. Since we have a limited idea about your company, could you like just speak in detail as to how much percentage comes from OTC and how much from the pharma segment?

**Vipul Thakkar, Manager, Finance**

Now, more or less our OTC is only one brand which is called TODAY Contraceptive.

**K.C. Suri**

Okay.

**Vipul Thakkar, Manager, Finance**

It is one of the oldest brands into the India, it's 25 years old brand.

**K.C. Suri**

Okay.

**Vipul Thakkar, Manager, Finance**



If we talk about the revenue-wise which our OTC, hardly we are getting around 2 to 3% from the OTC. Rest are, all are from the pharma segments.

**K.C. Suri**

Sorry, I think, so today... like last year of that 169 crores, how much was from TODAY?

**Vipul Thakkar, Manager, Finance**

Around 2%.

**K.C. Suri**

Only 2%?

**Vipul Thakkar, Manager, Finance**

Yeah.

**K.C. Suri**

And what was the balance?

**Vipul Thakkar, Manager, Finance**

All was pharma.

**K.C. Suri**

Okay. And pharma, like you are selling in the domestic market or international?

**Vipul Thakkar, Manager, Finance**

Our 10% revenue coming from the domestic, rest 90% is from the international exports.

**K.C. Suri**

Okay. So about 130 crores are from exports, you are saying?

**Vipul Thakkar, Manager, Finance**

Yes.

**K.C. Suri**

Okay. And this pharma, where you have your pharma plant production?

**Vipul Thakkar, Manager, Finance**

It's in Palghar, it's in Thane district.



**K.C. Suri**

So this suppository, what the anal suppositories, those you are considering under pharma?

**Vipul Thakkar, Manager, Finance**

Yes.

**K.C. Suri**

Okay. And what are the constituents of your pharma business?

**S.N. Kamath, Managing Director**

We've got antimalarial products.

**K.C. Suri**

So the biggest I believe will be the suppositories, right?

**S.N. Kamath, Managing Director**

We have a plant of tablets and dry syrup also in Palghar.

**K.C. Suri**

Okay.

**S.N. Kamath, Managing Director**

This is the second plant, it is a newer unit.

**K.C. Suri**

Okay.

**S.N. Kamath, Managing Director**

And we manufacture antimalarial and anti-inflammatory, other products we are manufacturing in our second plant in Palghar.

**K.C. Suri**

Okay.

**S.N. Kamath, Managing Director**

90% of the revenues are coming from exports.



**K.C. Suri**

Okay.

**S.N. Kamath, Managing Director**

So all products have been registered in the African country as well as South Asian, some of the countries in Russia also.

**K.C. Suri**

Okay. And what is the debt on the books?

**Vipul Thakkar, Manager, Finance**

Debt, as of now there is zero debt.

**K.C. Suri**

And cash?

**Vipul Thakkar, Manager, Finance**

Cash, if you take about the 22 crores, we have the cash flow, for last year I am talking.

**K.C. Suri**

Okay. So cash on balance sheet is now accumulated cash and investments?

**Vipul Thakkar, Manager, Finance**

See, investment around, if you talk about the CapEx plan this financial, we have done around 18 crores of CapEx plan which we have done, all are from the internal accruals.

**K.C. Suri**

Okay. So going forward, what kind of growth are we looking at?

**Vipul Thakkar, Manager, Finance**

At least top-line we are maintaining our growth around 25 to 30%. That also we have targeted for the next financial year also. Because if we talk about the new plant, which is commercialized by a month of March, but as we enter into the UK MHRA regulatory, we are going to get this impact on the last quarter of the next financial year. Meanwhile, we can utilize this plant for our normal course of business.

**K.C. Suri**

Okay. So, I mean you're currently talking about a 26% net profit margin. Is that sustainable?



**Vipul Thakkar, Manager, Finance**

Yes. It is going to be sustainable.

**K.C. Suri**

So, like FY12, we're looking at about 250 crores with 160 crore of bottom-line?

**Vipul Thakkar, Manager, Finance**

We are targeting around, the next financial year around 270 crores.

**K.C. Suri**

Okay. And the bottom-line of about?

**Vipul Thakkar, Manager, Finance**

Our bottom-line was around, we are looking after around 70 crores, 26% near about.

**K.C. Suri**

Okay. And this will essentially be fueled by export to the African continent, right?

**Vipul Thakkar, Manager, Finance**

It is not fueled really Africa, we are caterer about the Russia as well as some other -- also.

**K.C. Suri**

And can you break up your revenue, like country, region-wise, like how much would be Africa, how much would be Russia and other countries? Which is the biggest...

**Vipul Thakkar, Manager, Finance**

I will get back to you. I am noting your --. I think this will take time.

**K.C. Suri**

Okay. Okay, fine. Thank you.

**Operator**

Thank you. The next question is from the line of Mr. Bhavin Shah from Dolat Capital.

**Bhavin Shah**

Hello?

**Vipul Thakkar, Manager, Finance**

Yes, sir.

**Operator**

Just a moment, sir. The next question is from the line of Bhavin Shah. Please go ahead.

**Bhavin Shah**

Can you hear me?

**Vipul Thakkar, Manager, Finance**

Yeah.

**S.N. Kamath, Managing Director**

Yes.

**Bhavin Shah**

Okay. Great. Coming back to the question. Just wanted to understand the competitive playing field in the UK when you start exporting, who are the competitors there and what is your initial...

**S.N. Kamath, Managing Director**

As such, see, we are only the niche market, we are the only two manufacturer in India. one is Bliss GVS and second is Cadila Zydus in suppository and pessaries.



**Bhavin Shah**

What's the second player, sir?

**S.N. Kamath, Managing Director**

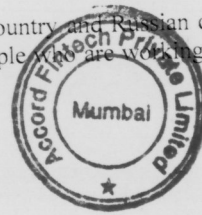
Cadila Zydus.

**Bhavin Shah**

Okay.

**S.N. Kamath, Managing Director**

Basically, we are manufacturing and exporting major African country, South Asian country and Russian country. And we basically sell is our brand generics and the brand will generate means we have got our own people who are working in the field for marketing the products.



**Bhavin Shah**

Okay.

**S.N. Kamath, Managing Director**

So, no competitor as such, if we see from the Indian market.

**Bhavin Shah**

Okay. So is the distribution taken care of in UK, sir?

**S.N. Kamath, Managing Director**

No. UK, just we are starting our new plant.

**Bhavin Shah**

Okay. So, supplies go directly to your customers there?

**S.N. Kamath, Managing Director**

Yeah. In the distribution networks in every country-wise, we got our own distributors.

**Bhavin Shah**

Okay. And I don't know if I missed this, but the new plant that is upcoming, what is the CapEx that you have put in? What is the investment there?

**Vipul Thakkar, Manager, Finance**

Around 20 crores.

**Bhavin Shah**

Around 80?

**S.N. Kamath, Managing Director**

20.

**Bhavin Shah**

Sorry?

**S.N. Kamath, Managing Director**

20 crores.

**Bhavin Shah**

20 crores. Okay. And based on the scheduling that you are expecting in the fiscal year FY12, you anticipate 25 to 30% of brand revenue?



**S.N. Kamath, Managing Director**

Yes.

**Bhavin Shah**

Okay. So suppository is going to be the key traction and the key immediate result to look at or is there something else also coming up?

**S.N. Kamath, Managing Director**

Yeah. We are triggering on suppositories and pessaries on the new plant.

**Bhavin Shah**

Okay. Going forward, any acquisitions on the radar?

**Vipul Thakkar, Manager, Finance**

As of now, we have not decided. If we get good opportunity, then we can take a chance.

**Bhavin Shah**

Okay, sir. And is there any way where your working capital can come down from the current 140 crores?

**Vipul Thakkar, Manager, Finance**

No.

**Bhavin Shah**

So. this is a business phenomena which...

**Vipul Thakkar, Manager, Finance**

Yes.

**Bhavin Shah**

Okay. Thanks so much. Thank you.

**Operator**

Thank you. [Operator Instructions]. The next question is from the line of Chintan Antani from Monarch Research. Please go ahead.



**Chintan Antani**

Hello?

**Vipul Thakkar, Manager, Finance**

Hi Chintan, this is Vipul.

**Chintan Antani**

Congratulations first of all for your results.

**Vipul Thakkar, Manager, Finance**

Thank you very much, sir.

**Chintan Antani**

I have actually two questions. One is, we get into African countries, right?

**Vipul Thakkar, Manager, Finance**

Okay.

**Chintan Antani**

Do we have any exposure to Egypt?

**Vipul Thakkar, Manager, Finance**

No.

**Chintan Antani**

No exposure. Hello?

**Vipul Thakkar, Manager, Finance**

Yeah.

**Chintan Antani**

And one more thing, quarter-on-quarter we have dropped in terms of sales, right?

**Vipul Thakkar, Manager, Finance**

No, only this quarter, otherwise you can take another last -- 40%.

**Chintan Antani**

There growth is also, there is no any... no problem right, as far as quarter-on-quarter is concerned, it's just a casual decline in sales?

**Vipul Thakkar, Manager, Finance**

See, the defense was all international markets are closed.

**Chintan Antani**

Okay.

**Vipul Thakkar, Manager, Finance**

So, that impact is coming to the third quarter. But if you see about the last quarter, it will be always robust, it's some 30-35%.



**Chintan Antani**

Okay.

**Operator**

Mr. Antani, do you have any further questions?

**Chintan Antani**

No, that will be all. Thank you very much.

**Operator**

Thank you. [Operator Instructions]. The next is from the line of Pavan Kumar from Capital Market. Please go ahead.

**Pavan Kumar**

Hello. Hi, sir.

**S.N. Kamath, Managing Director**

Hi.

**Vipul Thakkar, Manager, Finance**

Hi Pavan, how are you?

**Pavan Kumar**

I'm fine, thanks.

**Vipul Thakkar, Manager, Finance**

Thanks, Pavan. Tell me.

**Pavan Kumar**

All can I observe is the margins are impacted because of consumption costs, rise in consumption cost.

**Vipul Thakkar, Manager, Finance**

Yes.

**Pavan Kumar**

So, can you elaborate on this?

**Vipul Thakkar, Manager, Finance**

Because, if we talk about the margins, as discuss earlier, we are operating through our own --. We are not selling the general. We are selling the --.



**Pavan Kumar**

Okay.

**Vipul Thakkar, Manager, Finance**

So that margins we are getting into the products.

**Pavan Kumar**

Okay.

**Operator**

Any further question, Mr. Kumar?

**Pavan Kumar**

No. Thanks.

**Operator**

Thank you. [Operator Instructions]. The next question is from the line of Priya Sunder from Allegra Advisors. Please go ahead.

**Analyst**

Yeah. Thank you for taking my question. -- your industry capacity is around 7 million suppositories per day in two shifts, right?

**Vipul Thakkar, Manager, Finance**

We can go up to.

**Analyst**

Okay. And what is the utilization?

**Vipul Thakkar, Manager, Finance**

Half of this.

**Analyst**

Okay. And the new plant that you're setting up is going to be?

**Vipul Thakkar, Manager, Finance**

Same.

**Analyst**

Same capacity. Okay. And you also said you'll be setting up three more plants in African countries. So, when are they expected to start?



**Vipul Thakkar, Manager, Finance**

Over a period of three years.

**Analyst**

Three years. Okay. And your current focus is going to remain the same, right, suppositories?

**Vipul Thakkar, Manager, Finance**

Yes.

**Analyst**

Okay. Yeah, thanks a lot. That's what I'm looking at.

**Operator**

Thank you. [Operator Instructions]. Sir, there are no further questions in the queue.

**Vipul Thakkar, Manager, Finance**

Okay. So...

**Operator**

Mr. Kamath, would you like to provide any closing comments?

**Vipul Thakkar, Manager, Finance**

Mr. Kamath, we are ready for the closing comments.

**S.N. Kamath, Managing Director**

Thank you very much. Ladies and gentlemen, thank you very much for your participating on this earning call.

If you have any further questions or would like to know more about our company, we would be happy to be assisted and we hope to have your valuable support on continued basis as we move ahead.

On behalf of the management, I once again thank you for taking the time to join with us on this call. Thank you.

**Vipul Thakkar, Manager, Finance**

Thank you. Thank you very much.

**Operator**

Thank you, Mr. Kamath. Thank you, Mr. Thakkar.

Ladies and gentlemen, on behalf of Bliss Gvs Pharma Limited, this concludes the conference. Thank you for joining us. You may now disconnect your lines. Thank you.

