"RPG Life Sciences Limited

Q2 FY '24 Earnings Conference Call"

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MANAGEMENT: MR. YUGAL SIKRI – MANAGING DIRECTOR – RPG LIFE SCIENCES LIMITED
MR. VISHAL SHAH – CHIEF FINANCIAL OFFICER – RPG LIFE SCIENCES LIMITED

MODERATOR: MS. DHARA PATWA – SMIFS LIMITED

**Moderator:** Ladies and gentlemen, good day, and welcome to Q2 FY '24 Earnings Conference Call of RPG Life Sciences Limited, hosted by SMIFS Limited. As a reminder all participant lines will be in listen mode. There will be an opportunity for you to ask questions after the presentation concludes. Should need assistance during the conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Dhara Patwa from SMIFS Limited. Thank you, and over to you.

**Dhara Patwa:** Thank you, Yashashri. Good afternoon, everyone. On behalf of SMIFS Limited, I welcome you all to Q2 FY '24 Conference Call of RPG Life Sciences Limited. We are pleased to host the management of the company. And today, we have with us Mr. Yugal Sikri, the Managing Director, and Mr. Vishal Shah, CFO of the company. So we will start the call with initial comments on the results, and then we will open the floor for Q&A.

Now I hand over the call to the management. Over to you, sir.

**Yugal Sikri:** Thank you, Dhara. Good afternoon, everyone. Thank you for joining us on this earning call. It's my pleasure to share with you briefly the market context and give highlights of our performance in quarter 2 as well as the H1 of FY '24.

First, the market context. You all know the pharma market is ranging between 8% to 10%. On the MAT basis, the market is growing at 10.6%. For the H1 period, the market has grown at 8%. There has been pressure on volumes. The volume growth has been ranging between negative growth to a very low single-digit growth. The growth is being driven by the price increases.

I'm happy to share with you in the same breath, RPG Life Sciences has registered twice the market growth. In the domestic business, we have 16% growth versus the market growth of 8%. On MAT basis, again, our growth continues to be significantly higher than the market. We are growing at 16%, and the market is growing at 10% or so.

On the positive side, we know that biosimilars are gaining acceptance. E-commerce is gaining a foothold. API has got the attention of the government. PLI schemes are being rolled out. There is a focus on NCE research by the leading big companies. And there have been developments on the front of the government promoting generics as well as asking the doctors to prescribe generics. We await as the government decides the steps forward in this direction.

Let me now share with you the progress of RPG Life Sciences. What is noteworthy is that for the fifth consecutive year, we have a very consistent year-on-year upward trajectory. Revenues, the sales growth continues to be higher than the market, as I mentioned earlier.

If I turn to the Q2 performance, our growth has been 14% on the revenues front. On the EBITDA and other profitability indices, the growth is even better, maintaining the consistent uptrend which we have been having for multiple quarters and multiple years. 26% is the growth on EBITDA. PBT has grown by 29%. PAT has grown by 30%. Margins, getting reflected margins, margin on EBITDA has grown from 23% to 25.5%, PBT from 20% to 22.7%, PAT from 14.8% to 16.8%.

If we turn our attention to first half performance, I think similar reflections one sees 14% revenue growth, 22% EBITDA growth, 24% growth in PBT, 26% growth in PAT. Similar reflections in margins, EBITDA margin, 22.8% moving to 24.3%; PBT, 19.8% moving to 21.4%; PAT moving from 14.5% to 15.9%, everywhere increase in 150 basis points to 160 basis points or so.

If we compare this versus the 5-year trend, again, we have a consistent, as I mentioned, year-on-year upward trajectory. This has been retained this year as well. On the margin front from 10.4% in FY '19, we are at 24.3%, which means close to about 14, 15 percentage point, 1,400 to 1,500 basis points increase in the last 5 years. Similar reflection in PBT, we have moved from 4.6% in FY '19 to 21.4% in H1 FY '24. PAT, again, 3.3% in FY '19 to 15.9% in H1 FY '24, retaining the upward trajectory, which we talked about earlier.

Let's talk about our journey I'm sure you have looked at the website and the investor presentation. First one is -- first step was fundamental fixation. And when we talk of fundamental fixation, I'm talking about hygiene, I'm talking about people, I'm talking organization. From that step, we move to process excellence, which cover product portfolio, people, business processes. Then we move to sustainable profitable growth, which one can see in the form of revenues, volumes and margins.

And I'm happy to share with you, you will notice that in the INR 1,000 crores revenue company and below, our company, RPG Life Sciences is a benchmark company today. Whether you look at profitability ratios, leverage ratios, liquidity ratios, evaluation ratios, I think we are standing tall in that group. We now want to move forward to scale upward, and that's the ambition which we have now.

So we've identified clearly as a part of our strategic framework, seven pillars of our growth. The first pillar of the growth is state-of-art plants, and the second pillar is the pipeline, which means, so far, we had a focus on Domestic Formulations business, which contributes 66% of our turnover. Now we are also making sure that the other two segments of our business, which is International Formulations, API also pace up.

And therefore, these two pillars become important for us. One is, as I mentioned, the state-of-art plants creation both formulations and API and second is the R&D pipeline in the International Formulations, API, both so that they become our growth driver.

As I shared earlier, we intend to make sure that our modernization capacity expansion plan of both the plants gets over by the end of this fiscal. In order to make sure that we continue to make strides, there are two other areas, which, from the process perspective, we are focusing. One is innovation and second is use of digital, use of technology to pace up other processes. And these two have significant priority in the organization. We are working on over 100 projects on innovation. We are working on over 20 projects on digitalization from back end to front end to functions to help us to pace up our growth.

Other than what normally you see in the pharmaceutical business, we are also very actively looking at adjacencies. We are also looking at the adjacent spaces, which fall within our franchise area. We all have a strong nephrology franchise, and that's where we want to maximize that franchise, and we intend to -- we're actually working on the Med-Tech to see that whether that also helps us to grow better.

Other than that, we have been talking about -- you all know that our cash surplus situation beefing up quarter after quarter after quarter. And we want to use that cash for the purpose of our growth. We have identified formulations as our priority. We have also added now API. Also, as our priority for M&As, as I mentioned earlier, since we are making sure that our API plant is getting modernized, we have R&D pipeline being developed in the API business. And with this, we thought API must also become our focus as far as M&A goes.

And lastly, there's a huge, huge focus on talent development in the organization, and that is making use of the unique situation in RPG Life Sciences. Being a 50-, 60-year-old company, we have huge experience available to us. At the same time, we have also inducted fresh blood from top management to middle management to the lower management to make sure that experience plus the freshness contributes to the growth of the organization.

I'm not going through the five pillars of Domestic Formulations growth and four pillars of the International Formulations growth and three pillars of the API growth because I mentioned all of them in the investor presentation. I'm sure all of you would have the opportunity to go through.

I must thank all of you to have joined this call. I sincerely really appreciate, and I'd be too happy to answer any questions which you have. And if I'm not in a position to answer some questions because of some statistics or whatever, I will definitely make sure that your query gets answered. So thank you for the patient listening, and over to you for any questions you have.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Ankeet Pandya from InCred Asset Management. Please go ahead.

**Ankeet Pandya:** First of all congratulations on good set of numbers. So Yugal sir, I have two, three questions. So I'll start with the domestic business. So you have seen now 16.5%, 17% growth in domestic business. Can you give the breakup of a price volume and new launches in the domestic business?

**Yugal Sikri:** Yes. I will give you the details. As I mentioned in my earlier comments, we have a strong volume growth coming up. If you look at the IQVIA data, IQVIA also confirmed the same. Let me share with you the internal data. We have a volume growth of 8% or so. Our price growth is close to 5%-plus, and the rest is the new product's contribution. I hope that answers the question.

**Ankeet Pandya:** Yes. Sure, sir. Sir, secondly, on the gross margin front, so we have seen a significant improvement in the gross margin from almost 66% run rate to 71%. So is it -- like what is -- if you have to divide the improvement in gross margin, what will be due to the reduction in raw material prices and from given that even though we are seeing strong growth in the International Formulation and even in API business, so what has contributed in the margin improvement?

**Yugal Sikri:** Yes. Okay. See, we have had, as I mentioned to you earlier, that a very consistent profitability improvement framework created. And as far as -- it actually is applicable to both COGS and opex. As far as the COGS are concerned, we have worked on product reengineering. We have worked on 13 SKUs reformulated that has helped us to improve our margins. We are working on the other efficiency enhancement measures, like yield improvement, that size increase in the manufacturing.

We have also optimized the people in the plant set up. I think all of these are the structural factors, which I keep talking about, that these are the structural interventions, which have helped us to improve our margins. And that journey continues. That journey continues. With every passing year, that adds more to -- as the turnover increase that adds more to our value gross margin increase.

As far as this quarter is concerned, I think all of those factors have played out, plus we have some advantage of product mix this time. And that product mix advantage, we have got from a couple of products in Domestic Formulation, a couple of product International Formulations and a couple of products in API. So a very favorable product mix also has contributed to the margin, sales margin and margin improvement this quarter. And as I mentioned, all the other structural interventions continue to contribute to our margin improvement.

**Ankeet Pandya:** So then given that these are all structural in nature, then we can assume that around 69% to 70% on an average going forward the gross margin will be stable at this level?

**Yugal Sikri:** Yes. A couple of percentage here and there. I think we should be able to retain the margin. Only impact, which will not be there because of the favorable product mix, which we have had in this quarter.

**Ankeet Pandya:** I believe this is somewhat under the new base, or you can say that has been for RPG now?

**Yugal Sikri:** Could you kindly repeat the question?

**Ankeet Pandya:** This is, in a way, the new base for gross margin fund that we can assume for the next couple of quarters?

**Yugal Sikri:** Yes. I would assume so, unless you know, what's happening in the macro environment. Input prices, suddenly, you know that the oil behaves very funny. Sometimes, it goes up, it goes down. We have a good number of solvents being used in our API. We have packing materials being used. And therefore, all of that keeps on having some kind of fluctuation. So nobody can predict about them. Otherwise, all the structural interventions will continue to play out, and I'm sure that will help us to retain our gross margin, barring those unforeseen situations, which I just mentioned.

**Ankeet Pandya:** And any material impact even from lower RM prices?

**Yugal Sikri:** Yes. There has been an impact on lower RM price. I must share with you, again, we have two initiatives there. One, we are renegotiating the prices with the current vendors, and we also have an alternate vendor development program well charted out. And that is what is helping us to reduce the RM price. But as I mentioned earlier, you keep getting the fluctuations -- you negotiated a good price, but you still get a fluctuation because of the circumstances, which I just mentioned. So that's what my commentary on your question.

**Ankeet Pandya:** Okay, sir. Sir, one last question. So on the cash front, seeing that the cash has reduced on -- from the last year that we had. I feel that given that your receivables and inventories have also gone up, I guess, receivable have gone up significantly during the first half. So any particular reason? Because the cash level has come down, including the investment -- liquid investments.

**Yugal Sikri:** Yes. Okay, okay. Let me assure you that the company continues to generate cash as healthily as it has been doing quarter-after-quarter. That gets reflected with the EBITDA margin improvement and revenue change. The change in the quarter-to-quarter situation on the cash flow is largely reflecting the couple of points. One is we have provided for certain receivables in the market which are closer to the current conflict, which is going on. And so there is some provision on that front. That's why the receivables appear to be a little higher.

On the regular business, on the majority of the business, receivables have very, very much under control. Domestic Formulations businesses is operating within 30 days, 31 days of receivables, no issues. Inventories also are good.

Yes. There is another factor I'd like to add on the inventory front is, as we mentioned that we are modernizing the plants, Ankleshwar plant and the Navi Mumbai plant. So we are building some inventory there for a period when plant will have shut down when the movement of the -- movement of the manufacturing happens from the old unit to the new unit or old certain machines which are going to be moved to the new one. So we have built up some inventory at Ankleshwar plant as well as the API plants, which has also added to the inventory.

But I think these are all very transient. And as we move ahead with the fully operating new plant, I think all of this will get normalized. So I do not see any concern on inventories and receivables. Receivables, I mentioned to you, is basically because of the conflict, which is going on at that part of the country, at that part of the world. So we have a couple of customers there. So we have provided for that. And inventory, I mentioned to you, is a function of the plant modernization.

**Ankeet Pandya:** By year end, we can expect it to coming back to the normal levels?

**Yugal Sikri:** Yes. I'm pretty confident because the large part of the business is -- both the receivables and inventories are very well, much under control. If you recall last year, in fact, year-after-year after-year, our net working capital is improving, both in terms of number of days and percentages. So that trend I expect to continue.

**Ankeet Pandya:** Sir, just lastly on capex. We have done around INR30 crores of capex in the first half. What will be your full year guidance for capex given that you have upgradation and new line also coming up, so full year capex guidance?

**Yugal Sikri:** Yes. So I think a good point you picked up. As a part of the modernization of the two plants, we are somewhere in that journey. So I expect maybe INR 60 crores or so could be the capex, which will come up in the rest of the year to take care of our both the plants modernization and the capacity expansion.

**Moderator:** Thank you. We'll take our next question from the line of Jitark Shah from SBI Pension Funds. Please go ahead.

**Jitark Shah:** Congratulations on the fantastic set of numbers. My question is more on the strategic initiatives that you mentioned at the, I think, the last slide. So how do you plan to ramp-up? And specifically on the M&A front, have you already identified any potential assets or areas that you would like to enter? And would it be more on -- if you could throw some more color whether it's more on the API side or on the International Formulations side, that would be helpful.

**Yugal Sikri:** Yes. I think you rightly captured, M&A is our priority as the cash is beefing up, and we want to use it for our business purposes. Frankly, we are open to -- we have been extensively working on formulations. And you all know that the valuations are going very crazy. We had close about 18 deals evaluated.

We even submitted certain NBOs. But keeping in line with what our overall overarching goal is that we will retain sustainable profitable growth. We are a little particular, but the search is on. To that, as I mentioned earlier, we also added API. So we are also looking at any acquisition targets either in the formulation or in the API, which can help us to beef up our growth.

Of course, all the decisions, which we take in the acquisition, are very, very carefully evaluated. Considering -- as far as formulation is concerned, as I mentioned, we have defined therapy. We have defined certain kinds of gross margins. We have defined certain molecule segment, what kind of growth they should have. We have defined, they should have very strong patient and prescriber base.

So there's very stringent evaluation so that we are able to get the right candidate, and we are able to add value, it becomes very lucrative. So that's a very important priority area for us, and considerable management time is being invested in evaluating or exploring the M&A opportunities.

**Jitark Shah:** And sir, so any timelines that you could indicate like whether we can see this in this fiscal or by next fiscal or anything? And if for International Formulation, would it be in India, in export, or would it be in some foreign location itself?

**Yugal Sikri:** I wish I could. I really, wish I could. With the developments happening in the market, how the valuations are going crazy. So frankly, I would have wanted it last year, if it was possible. I would have wanted now in H2, if it is possible. But trust me, we can't predict, I'm being very honest to you. And -- so that's the point on the timeline. Then what was the second point on that same subject?

**Jitark Shah:** The geography. So would it be focused more on India-focused businesses and then you export it? Or would it be into foreign geography itself?

**Yugal Sikri:** Yes. See, we are a company which has crossed INR500 crores turnover now. And therefore -- and our export business is 1/3, and 2/3 is our India business. So naturally, we have to look at our comfort zone and our expertise zone, and that's where we'll focus. That's what I'm seeing now, but it depends on opportunities.

The opportunities could be attractive even for the exports. I don't mind exploring. But my initial thought is to have and it should be in this segment where we are very confident of. It should be the geography where we have some kind of value addition we can do. We can leverage our existing relationship, existing business strength.

And that's where we will focus. So if I put a boundary -- no, I'll not put a boundary. I just want an attractive proposal to come, which we can then get into more details there.

**Jitark Shah:** Sure, sir. And just one last follow-up on this. So you have this happiness index and you have people at the core of your philosophy. So any thoughts that whenever any new entity that you sort of do an M&A bid, how would you like to integrate the employees and the people of that particular new entity along with our own philosophy and the way the functioning of RPG Life Sciences happens? So any thoughts on that, more from a strategic and long-term perspective?

**Yugal Sikri:** Yes. For RPG Life Sciences and for the entire RPG Group, people are at the core. And therefore, of course, we will -- we'll cross the bridge when we reach there. But people practices in the group as well as in this company are so very well ingrained and institutionalized that anybody whom we make join our company has to go through that rigor of certain practices, certain SOPs, certain practices, certain induction training programs, all of that.

And we will do all of that. And I can also share with you my personal experience. I have been involved in at least three big mergers, and so I have my playbook, which I know, I will activate when the opportunity comes of the M&A. My dos and don'ts are available to me at the global and the local level. And I know, what are the things not to be done and what are things to be done, which we will bring into play as we reach there.

**Moderator:** Thank you. We have our next question from the line of Aditya Khetan from AK Capital. Please go ahead.

**Aditya Khetan:** Yes. Thank you, sir, for the opportunity. Sir, my first question is into the Domestic Formulation business. So we are having a leadership position in the immunosuppressant portfolio. So which are the other categories, sir, we are looking to playing? And how is the traction so far?

**Yugal Sikri:** Okay. So you rightly mentioned immunosuppressant is our major portfolio in all the three segments, Domestic Formulations, International Formulations and API. You also know that we have a leadership position in immunosuppressant market, particularly in Azathioprine, one of the molecules. And we are building Mycophenolate, we are building Cyclosporine, and we are building Tacrolimus.

There's a good traction there. So immunosuppressant continues to be our focused therapy. It's a niche therapy, and we have very strong relationship with the nephrologists. So that is one. You have talked about the second and the third one. If you look at the portfolio, our portfolio is divided into two, mass business and specialty business.

In mass business, our product portfolio is more -- though it looks like we have an antipsychiatry product, we have a GI product, we have a cardiovascular product. But the products are -- the major prescriber segment is consulting physicians and GPs, and that is our strong forte. And this being a strong forte, this segment can give us a business for large number of therapies. That's on the mass side.

Then on the specialty side, we were strong in nephrology. You would have seen; we have built up rheumatology in the last three years. It is contributing close to about 14% of our specialty turnover, which was not existing 3 years, four years back. Then we are also moving into gastroenterology and dermatology. Both of these segments, not into the mass one, but the high end one.

And then along with rheumatology, gastroenterology and dermatology, we are getting into specialty. On the mass front, apart from the CPs and GPs, we are also working on the mass specialty therapies, like diabetology, cardiology. And since we have identified these segments, in all of these segments, our intent is to have a coverage of 55% plus or so of the universe.

Now we have reached a majority of them, except the one which is consulting physician because the segment itself is pretty large. We have reached almost around 75%, 80% of the consulting physician coverage. Then another segment which we are actively looking at is orthopedics and because of our great performance of Naprosyn, we want to develop that franchise.

That's another therapy segment, which we are looking at. So you would have noticed that there is an anchor available for all the customer segments we are entering, and that's what will assure us that any foray into the new therapy will be a profitable foray.

**Aditya Khetan:** Thank you, sir, for the detailed explanation. Sir, what would be the split between the mass and specialty in terms of margins?

**Yugal Sikri:** In terms of margin, the split between mass and specialty is almost equal, reason being, we have a profitable product mix sitting in the legacy, profitable product mix sitting in the specialty and a lot of life cycle management initiative, which we have put in place with the line extension products, which have better margin, are also helping us to have our mass business also profitable.

**Aditya Khetan:** Okay. Sir, in mass business also, we are having some molecules, which are having higher margins? That is the point.

**Yugal Sikri:** Yes. Absolutely. Our legacy business has a good margin. Incidentally, our price control products also have, major ones have good margins.

**Aditya Khetan:** Okay. Sir, my second question is that, so do we are having any plans to enter into new geographies, for example, US in International Formulations. So which product categories are we focusing on? And how this is different from the Domestic Formulation product portfolio?

**Yugal Sikri:** Okay. See, the International Formulation business, we are very defined, as I mentioned to you earlier, four-pillar agenda. In the International Formulations business, our R&D pipeline, the new product pipeline has it's centering around three or four specific areas. One is immunosuppressant.

We are in the immunosuppressant business, but we do not have any line extension. There are gaps in line extension, and there were certain molecules, which we were not exporting. So now new product development is happening in those areas, and these four molecules are Azathioprine, Mycophenolate, Tacrolimus and Cyclosporine.

We are developing all the strengths which are available for these molecules so that we want to be a very strong player in immunosuppressant basket in international business. We also want to have cross synergies because we are selling one of the molecule, which is Azathioprine, for a very, very long time.

And if you develop other three, we expect some kind of cross selling synergies available there. So that was the category one. The category two is the product which has some kind of complexity, which we call as complex generic products. And complex generics products are the ones which have a generics size molecules, but the dosage form, the formulation has some kind of advantage.

We have launched once a product called Sodium Valproate PR, long release version. As you know that product has been accepted by the UK MHRA. We've got the approval. We launched that product in the UK. We are now entering in the other markets. We have already entered South Africa with that product in the market.

So that's the second category. The third category is those products which have some kind of complexity in manufacturing, for example, products which need low relative humidity or low temperature. That's our third category. And the fourth category where you have limited competition available. Now all of these have been designed in a way that it steals the eye away from the biggies, the big pharma. So, we operate initiatives and those initiatives will ensure that we have a profitable business going forward. I hope I could answer your question.

**Aditya Khetan:** Yes, sir. Sir, just one last question. Sir, how much of our manufacturing is outsourced and for which of the products? And are there any plans to move them in-house?

**Yugal Sikri:** Yes. I think that's another important question. Currently, we have close to about 30% or so, our formulation being outsourced. But we are keeping it a bit flexy. As you know, we are adding capacities in the plant. And we also have - in the Domestic Formulation business, almost every single new product, which we have launched is an outsourced formulation from a reputed CDMOs, which is a well evolved group in the country. So as we launch a new product, it reaches certain volumes, then we evaluate that particular product and see whether we are able to add a few percentage gross margin by bringing that product in-house. So that's another strategy we have kept open. I hope that answers your question.

**Aditya Khetan:** Yes, sir. Yes. Thank you, sir. Thank you. That's it for my side.

**Moderator:** Thank you. We have a next question from the line of Shivnil Giri from Centrum PMS. Please go ahead.

**Shivnil Giri:** Hi, sir. Thank you for taking my question. My question was regarding the outsourcing bit only. So when we say we are outsourcing, are the majority of the new products that we plan to enter into therapies that we plan to enter into also going to be outsourced?

**Yugal Sikri:** Yes. As far as the Domestic Formulation business is concerned, yes. This is what the strategy we have followed so far. To my mind, it's a smart strategy because you know the CDMOs are quite evolved in this country. And they add speed, they add better margins to start with when you acquire volume, then I think then you can all bring in. So that's the strategy of all. Unless we have a product which our R&D is developing and then we will see that, that product gets marketed by us in our own premises, our own factories.

**Shivnil Giri:** Okay. So even the research function is being outsourced in these kind of the new launches and the new therapy areas that we're planning to enter into?

**Yugal Sikri:** Yes, I'm referring only on Domestic Formulation. We have actually, if you -- I was mentioning this to in my opening commentary, that we are not consciously establishing R&D and that R&D team is focusing on the formulations which are to be exported as far as International Formulations formation is concerned. And similarly, API R&D is working on the formulation on the APIs, which would be exported and we are open to market those products in our own country also. So that outsourcing R&D is only limited to Domestic Formulations.

**Shivnil Giri:** Okay. And would the therapy areas for international and domestic functions can be different? Like it would be catering to different segments? So the international business will focus on different therapy areas then versus the Domestic Formulation? Because then the research function in in-house that you would have would be more productive for you to use that for your own therapy areas?

**Yugal Sikri:** Absolutely. Absolutely. I think in order to make more bucks on your investments, it's always good to have your R&D dedicated to exports. And when you have such a well ready CDMO system available to maximize on that, that's the strategy which we have.

**Shivnil Giri:** All right. Thank you. Thank you.

**Moderator:** Thank you. We have our next question from the line of Bismith Naik from Rw Advisors. Please go ahead.

**Bismith Naik:** Just one clarification first. This quarter, we had a favorable product mix, for which gross margin that is contributing 1% to 2% to the improvement in sequential gross margin, is that correct?

**Yugal Sikri:** Yes. It has a contribution to the gross margin. Exactly how much I won't be able to decipher, but it had some role to play in the margins this quarter.

**Bismith Naik:** So H1 EBITDA margin can be maintained going forward? More or less?

**Yugal Sikri:** I would love to; I would love to maintain that. That's the intent of the management.

**Bismith Naik:** Okay. Second question is on MR count. What would be our MR count as of today?

**Yugal Sikri:** MR count is 600 plus we have. But I just wanted to clarify, I don't look at the MR count per se. I look at the target audience, therapy, customer segments to be covered 85% plus. So, which is what we are ensuring we have added to make sure that we are able to cover 85% to 90% of the universe of the identified customer segment. We have been having increases in the field force accordingly.

So I can share with you, cardiologists diabetologists, endocrinologists, all of these, we cover close to 85% to 90% Similarly, rheumatologist, nephrologist, we cover around 90%, 95%. Oncologist, we cover around 80%, 85%. The consulting physician as I mentioned, is around 60%, 70% now, which we want to take it 80%, 90%. And tomorrow, if we enter into a new segment, we like to cover 85%, 90% of the customers in that segment also.

**Bismith Naik:** Understood, sir. One final question. M&A, we are looking for in International Formulation and API specifically, right?

**Yugal Sikri:** Yes, we have these have also become our priorities now.

**Bismith Naik:** Understood. That's all for my question, thank you.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Ms. Dhara Patwa for closing comments. Over to you.

**Dhara Patwa:** Thank you, Yugal sir, Vishal sir for spending your valuable time and providing this opportunity to host the call. Sir, any closing comments you would like to give?

**Yugal Sikri:** Yes. The closing comment is that last five years have been a very foundational work, which we have done in the company from fundamental fixation to process excellence to sustainable profitable growth to a benchmark performance, which we have arrived. The journey going forward is to scale up and scale up not only in domestic formulation, which contribute two third of our business, but to also scale up in the remaining two segments, which we have, International Formulations and API and we are laying a strong foundation there.

As I mentioned, we are working, we are deploying our capex on both the plants upgradation. We are also making sure that our R&D pipeline, which is internally developed, is getting ready for International Formulations, API business, and we continue to have very strong 70 products strong grid for our Domestic Formulations business. And that puts us on a strong footing. That's the talk on revenue.

On the bottom-line front, all these structural measures, which have been taken over the last five years will continue to play out with the stability in our margins going forward and any scale up. We'll make sure that, that adds to the margins going forward. And that's the management intent. The team is in place, both the top team and middle management team. And I think this all works out quite favorable for RPG Life Sciences to step up and scale up for it. Thank you.

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