

Company Name: Laurus Labs
Company Ticker: LAURUS IN
Date: 2020-10-30
Event Description: Q2 2021 Earnings Call

Market Cap: 171196.793737
Current PX: 319.4
YTD Change(\$): 247.45
YTD Change(%): 343.919

Bloomberg Estimates - EPS
Current Quarter:
Current Year: 10.798
Bloomberg Estimates - Sales
Current Quarter: 10513
Current Year: 37549

Q2 2021 Earnings Call

Company Participants

- Chirag Talati, Moderator
- Satyanarayana Chava, Founder and CEO
- V.V. Ravi Kumar, Executive Director & Chief Financial Officer

Other Participants

- Nikhil Mathur, Analyst
- Sachin Shah, Analyst
- Sudarshan Padmanabhan, Analyst
- Tushar Manudhane, Analyst
- Cyndrella Carvalho, Analyst
- Nimish Mehta, Analyst
- Nitin Agarwal, Analyst
- Aakash Manghani, Analyst
- Jeevan Patwa, Analyst
- Naresh Suthar, Analyst
- Ritesh Rathod, Analyst
- Harith Ahamed, Analyst
- Krish Mehta, Analyst
- Sameer Shah, Analyst
- Shri Hari, Analyst
- Andrey Purushottam, Analyst
- Ranvir Singh, Analyst

Presentation

Operator

Ladies and gentlemen. Good day, and welcome to Laurus Labs Q2 FY 2021 Results Conference Call hosted by Kotak Securities Limited. As a reminder all participants' lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. (Operator Instructions)

I now hand the conference over to Mr. Chirag Talati from Kotak Securities Limited. Thank you, and over to you, sir.

Chirag Talati, Moderator

Good morning, everyone. On behalf of Kotak I thank the Laurus management team for giving us opportunity to host this call today. From Laurus, we have with us today, Dr. Satyanarayana Chava, Founder and CEO; Mr. V.V. Ravikumar, CFO; and Mr. Monish Shah from the Investor Relations team. I now hand over the call to Dr. Satya for his opening remarks. Over to you, sir.

Satyanarayana Chava, Founder and CEO

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Thank you, Chirag. Thank you, everyone and a very warm welcome to our results conference call for the quarter two and H1 FY 2021. I hope everyone, their family members and colleagues are safe during this pandemic. Our manufacturing units R&D center and corporate office all function normally during the quarter two FY 2021. At Laurus Labs, We are committed to protecting the health and well-being of our employees and their families and we continue to implement rigorous safety and hygiene measures across all our locations. I'm very thankful to our colleagues for rising to this challenge and ensuring business continuity as usual.

Moving on to our quarter two FY 2021 revenues. Our revenue stood at INR1139 crores showcasing a robust growth of 60% down year on year for the quarter and 67% for the H1 FY 2021 year on year. To begin with, I would like to share my updates on our formulation business. The formulations division reported its highest revenue for the quarter of INR452 crores showcasing a growth of over 180% year-on-year and the revenue of INR804 crores for the H1 showcasing a growth of over 200%.

Interestingly, the revenue contributions from FDF segment has improved to 40% of the revenues for the quarter against 22% in the quarter two FY 2020. The growth driver for the formulation business remains LMIC business in partnership with the global fund [ph] and other various in-country opportunities. During the quarter, we also launched the TLE400 in the elements markets and we expect to generate good revenue in the coming quarters from this launch. Apart from the LMIC business, we are also seeing good growth in the downward markets of North America and Europe.

During the quarter, we launched TLE in US and the demand for Hydroxychloroquine remained very soft after WHO halted its global trial. We don't foresee an increase in demand for HCQ in the coming quarters as well. In other products, we continue to maintain our market share of Q1, especially in Pregabalin, in order to front-end operations in U.S. we come into the marketing ARPU in license products as well.

Today, we have eight final approvals and the eight tentative to approvals out for 26 filed so far. In Canada, we have five approvals and we have launched three already and we expect to launch a few-- two more in this financial year. As far as the European market is concerned, we are very happy to share with the contract manufacturing opportunity for certain non-ARV formulations is doing very well. We have a very robust order book for FY 2021.

Besides, we are also in process of launching our own products in the European markets under our own label. We launched two products, and we expect to launch one more in the current financial year. With a robust order book, we continue to invest in our FDF infrastructure to augment capacities. But we have undertaken debottlenecking as well as capacity enhancement. We also expecting this debottlenecking will give some additional capacity partially in Q3 and as well as in Q4.

Our brownfield expansion will be available to us in a phased manner over the next financial year. On R&D front, we continue to invest in our FDF business. Overall R&D, we have spent 4% of our revenue in the H1 FY 2021. So far we have filed 26 ANDAs in US, Nine dossiers in Europe, 12 in Canada and eight with WHO, and two dossiers in South Africa and several dossiers in various other markets. As we Speak we're always committed to expand the geography for our existing products. So we continue to invest in that fashion.

When it comes to generic API, our API business recorded a healthy growth of 20% on quarter-on-quarter and also we did better in our H1 FY 2021. The growth was led by higher volumes for (inaudible) Along with this, we also saw higher sales from our external customers from (inaudible). We also see healthy growth after our second lien APIs in the quarter two. As indicated earlier, we expect the segment to deliver good growth this year and we expect to achieve ISG RVA PSL this financial year, surpassing the previous record.

We are also very happy to share that our oncology APIs also recorded more than 40% growth year-on-year and 31% for the first half of this year. The growth was led by our key product Gemcitabine and also other oncology products also shown very robust growth. As we mentioned, we have one of the largest high potent API capacities in the country. When it comes to the other APIs, we have seen 18% growth for this quarter year-on-year and 80% for the H1 FY 2021.

The growth in this segment was driven by higher volumes of existing products, contract manufacturing for our European partner. We are also seeing a certain amount of dedicated capacities for select opportunities in diabetic and cardiovascular segment, which will enable us to grow this business beyond what we are growing now. We have a very

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healthy order book for contract manufacturing for several generic APIs.

On the back of sizable order book new product opportunities and the expanded capacities available gradually from this quarter onwards, we are very optimistic about the growth of other APS. We are also planning to add several new manufacturing blocks in the existing units to meet our growing demand for our API business. Our synthesis business recorded a growth strategics 36% year-on-year and a similar number for H1 FY 2021.

Currently, we have about 50 active projects, out of which four are commercial. As you are aware, we incorporated a newly one subsidiary called Laurus Synthesis Private Limited and this was done in order to give the business an increased focus and eventually we are also in the process of setting up a dedicated R&D and manufacturing sites. The proposed synthesis R&D will come up at IJP, general rally at an investment out for INR60 crores and will be operational by next calendar year. New manufacturing site for this division will also be a greenfield project at Vizag, which will cater to the manufacturing needs of this division for the next several years. This slide capabilities to handle the Steroids hormones High potent molecules apart from other large-volume products.

With that, I would like to hand over to Ravi to share the financial highlights.

V.V. Ravi Kumar, Executive Director & Chief Financial Officer

Thank you, Dr. Satya and very warm welcome to everyone on our Q2 and H1 earning call. Total income from operations for the quarter is at INR1139 crores against INR712 focusing in 60% global and for H1, we did about INR2,113 crores against INR1,266 crores, a growth of 67%. With a better product mix, we have seen an improvement in the gross margin also like product mix and Forex quarter on quarter basis, so we have an exchange gain, our EBITDA margin came at 31% for H1 and growth in EBITDA was mainly because of operating leverage in production.

Our diluted EPS for the quarter is at INR4.50 and with the growth of 309% and INR7.70 rupees not annualized for H1 with the growth of 492%. Our Rosi improved 237% on annualized basis. This is because of the higher asset and the operating leverage. On the CapEx front we invested about INR261 crores in H1. This includes the capital work in progress. Of the some of the products and blocks which we have spent for INR261 crores in the operational in the bottom gains.

We have many business opportunities but the rising demand and various all segments. So in order to meet those demand though earlier we were saying INR700 crore CapEx in FY 2021 and 2022. We are revising our estimates to INR1200 crores of the CapEx for these two years. This includes majority is people expansion. Apart from what we also initiated as Dr. Sathya have communicated, for a synthesis one R&D center one manufacturing block, we also keep on telling for the last few quarters we want to have a second FBF site, it will be in Hyderabad, we have identified a land and it is in another greenfield project and we also want to have an another of manufacturing plants for an API division in Vizag.

We saw we are expanding and we are expecting around INR1200 crores at this juncture. Based on the performance in the company Board of Directors declared interim dividend INR0.80 to face value; and one more point we want to highlight here one for director who resigned. His name is Sridhar Raju. He requested for a reclassification of his shares of the category from a promoter to non-promoter and yesterday on BSE and NSE we have an approval and we have communicated that.

So with this, we will ask moderator to open for questions. Thank you.

Questions And Answers

Operator

Thank you very much, sir. Ladies and gentlemen we will now begin the question-and-answer session. (Operator Instructions) We have a first question from the line of Nikhil Mathur from Ambit Capital. Please go ahead.

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Nikhil Mathur, Analyst

Yeah, hi, good evening, everyone. First of all, congrats in surplus -- at numbers again. My first question is on the side of the business and most of them the order visibility and in terms of pricing outlook. One of your last year's earnings call that to see had indicated that the growth or the sales pace in the business, can kind of stabilize in the second half of this financial rate. It might decline. That's because a lot of the panic buying is still happening because globally customers are a bit wary of a second wave of lockdown or something of that sort. So do you think that the momentum can kind of subside and there might be some bit of decline in second half and going into FY 2022 as well or is most companies specific as to what this company had alluded to?

Satyanarayana Chava, Founder and CEO

We couldn't hear the question very well, Mathur. Can you repeat the question, there was a lot of disturbance in your voice.

Nikhil Mathur, Analyst

Is it better, am I audible?

Satyanarayana Chava, Founder and CEO

Yes. Now it is better.

Nikhil Mathur, Analyst

Okay. What I'm trying to understand is, the growth momentum on the API side of the business, is this sustainable into second half in FY 2022. The reason I ask this is that, we are getting some indications from some of the larger peers that a lot of global customers are still stocking on inventories because there varies, that they can be a second wave of lockdown in various parts of the world. So I wanted to understand, how sustainable is the sales base that has been recorded in first half, especially on the EPS side of the business?

Satyanarayana Chava, Founder and CEO

Thanks, Mathur. Our sales API also one of the highest in the company's history. And we haven't seen -- our customers are stocking these APIs because of continued challenge on the COVID, because our order book is also swelling so we have highest ever order book so far, in the company's history and we have our highest sale done so far. Based on this, we don't anticipate our customers are stocking our APIs. In fact, we are a lot of back orders for several APIs right now. We don't see that challenge based on the order book that we have. We expect to grow our API better than what we have done between Q1 and Q2. So Q3 and Q4 we will see more revenue coming from our APIs division based on the current forecast what we have, including our order book what we have.

Nikhil Mathur, Analyst

Okay. And sir, in the opening remarks, you had alluded to that Tenofovir is seeing quite a bit of growth amongst the frontline APIs. Now for incentive, if say supposing in FY 2022, Tenofovir and Efavirenz that growth subsides or in certain cases it will decline. Are there second generation APIs like reasonably Tenofovir on track, the ramp-up is on

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track to counter any sort of sales decline from the front line APIs or lack of growth from the front line APIs?

Satyanarayana Chava, Founder and CEO

We are seeing a decline of only Efavirenz in the next financial year. We continue to expect Tenofovir, Lamivudine, Dolutegravir volumes will continue to grow. In fact, we are increasing our Tenofovir capacity significantly from what we have right now and we are also planning to increase our Lamivudine capacity also significantly from what we have apart from Dolutegravir. So, we are increasing our capacities because we have the visibility how much our customers are looking at and what is the growth in this segment. We expect Efavirenz will decline whereas other APIs, front -- first line APIs will continue to grow.

Nikhil Mathur, Analyst

Okay. Sure sir. Another question I have on the CapEx side. Over the last couple of quarters or so given the stellar the company has seen, your CapEx guidance has been rising. A very fundamental question. So what has really changed over the last couple of quarters or so dramatically that you are having to almost raise your CapEx guidance by 70%, 80% in FY 2021 and 2022? Surely COVID has had some role to play, right? Why wasn't this visibility there a couple of quarters back?

Satyanarayana Chava, Founder and CEO

A couple of quarters back we were somewhat conservative in putting CapEx. Right now, all our manufacturing plants are running at optimum capacity and for us to grow in all these segments both API formulations as well as customer synthesis, there is a need for us to invest more to satisfy our current customers, to service our current order books. That is the reason we increased our CapEx significantly.

Nikhil Mathur, Analyst

Okay. This a one-time question before I get back into the queue. What is the pricing outlook on the ARV side in formulations? Now historically, we have seen that in the previous presentation ARV formulations the pricing has been declining of their usual you plan that keeps happening in this space. So what is the current pricing outlook from a one-year, two-year standpoint as far as the ARV formulations are concern?

Satyanarayana Chava, Founder and CEO

Since we became an integrated player in ARV formulations, we believe we will have the ability to weather the pricing challenges. If there is a pricing challenge if you observe our gross margin growth, we're able to grow our gross margins despite down for some challenges in the ARV formulation pricing, because other businesses continue to deliver very good gross margins as we expected.

Nikhil Mathur, Analyst

Sure sir. Thanks a lot. I'll get back in the queue.

Operator

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Thank you, ladies and gentlemen. In the interest of time and fairness to all participants please restrict questions to two per participant. If you still have more questions kindly join the queue fresh. We have next question from the line of Sachin Shah from Emkay Investment Managers. Please go ahead.

Sachin Shah, Analyst

Good morning. Dr. Chava and Ravi Kumar and for this opportunity and congratulations for great set of numbers. At least I believe that the last couple of years everything that you have been aspiring, thinking, working hard for it seems to be culminating and falling right in the place and I would think very deservedly so congratulations. Sir, when I look at a more holistic sort of our business mix today say about say 2, 3 years back, we were a largely an API company and if I see today, we are almost a balanced kind of API versus formulation even in terms of revenue breakup. Maybe we will be about 50% to 60% of the API maybe 40% to 50% formulations. So we have done this transformation quite well, I would say, but there are couple of things, which I would like to get your sense at, are you looking at transforming that part of the business also? So 2 points, one is that even if I look at our business even today probably 80% -- roughly about 80% of our revenue, probably comes from the LMI side of the business from the region and maybe 20% comes from the developed markets. So over a period of the next 3, 4 years, how do you see this mix changing? That's first and second, even if I look at the overall dependence on the ARV products so even today I think I mean including developed market all markets put together including API formulation everything but ARV as a product is probably giving us about maybe 75% or 80% of our revenues and other products are about 20% percent. How do you see these two mixes changing our product next 2, 3, 4 years because what's your vision on that side?

Satyanarayana Chava, Founder and CEO

I'll give the journey what we have done so far that will give you a perspective from FY16, 82% of our revenues came from anti-viral APIs and that went down to 34% for the H1 FY21. When you look at the LMIC driven revenue for APA's and formulation put together, it is 60% not 80% as you mentioned. So 60% of our revenues coming from the ARV APA's and formulation put to the remaining 40% coming from non-ARV from the developed markets. So the oncology continue to contribute 7%. Other APIs contributed 11% in the H1 and our customer centers have business continued to generate 10%. So if you look at 30% of our revenue came from Oncology custom synthesis and other APIs. In the formulation business 38% contributed by the formulations in H1 out of that roughly 8% came from Europe and US market. So you look at that way, 60% ARV driven and 40% is non-ARV. That will change in the next two years, maybe 50% will come from ARV's and 50% from non ARV's.

Sachin Shah, Analyst

Okay. Sir, what about the mix of LMIC versus the developed market, how do you see that point?

Satyanarayana Chava, Founder and CEO

I would put the same number.

Sachin Shah, Analyst

Okay, thank you so much, sir. All the best.

Operator

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Thank you, sir. We have a next question from the line of Sudarshan Padmanabhan from Sundaram Mutual Fund. Please go ahead.

Sudarshan Padmanabhan, Analyst

Thank you for taking my question and congrats on an exceptional set of numbers. Sir, there are two questions from my side, one is we talked about the daily launch both in the emerging markets as well as the U.S. markets. One is -- you know, if I look at the sales, is there any kind of bunched sales in the formulations that we are seeing in terms of seeding in for the requirements for more than probably one quarter or so. Just to understand whether this kind of beat in formulations is something which is not without any one-off in something that is fair in terms of delivery is concerned. Second, sir. In terms of working capital. While the gross profit and the EBITDA has been phenomenal, we have cumulatively done about 650 EBITDA, but if I look at the EBITDA to cash conversion, I mean we have done something like around 336 odd crores of cash post-tax. So conversion seems to be lower, primarily because of higher inventory is that inventory primarily built for nearly 400 and that inventory should start coming down at the inventory gets liquidated?

Satyanarayana Chava, Founder and CEO

As of now, our inventory of TLE is very insignificant. There actually we have backed out so there is no inventory of TLE400 for LMIC and the U.S. so that you can remove from apprehension. So there is no inventory build-up. Our overall inventory buildup is because of our capacity expansion in Dolutegravir capacity expansion Lamivudine and Tenofovir. When it comes to the cash converters rate I'll answer Ravi to answer the question.

V.V. Ravi Kumar, Executive Director & Chief Financial Officer

Yeah. If you look at the NWC, which is helping now for September ended robust year-to-date. Which is as constraint to be maintained quarter one and quarter two. I think it is in better shape actually we are not seeing any inventory built. Coming to the EBITDA to cash because we in order to take into consideration growth and whether we are growing at a 60% level. So the inventory increase will be proportional to the distributors involved, it is kept under consideration [ph].

Sudarshan Padmanabhan, Analyst

And would the intensity of working capital come down as we move up the value chain.

Satyanarayana Chava, Founder and CEO

We think it can be maintained at the similar so I think when we are also compare it with the industry. We are not worse of we are comparable with an industry as such. And when we are when we already moved to the forward formulations and we're almost of our formulations are backward integrated so we will maintain this kind level.

Sudarshan Padmanabhan, Analyst

And sir, on the question on formulations. I mean how sustainable is that and as the capacity come, do we expect to see growth even from the second quarter numbers. I mean given your visibility in terms of order book and demand.

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Satyanarayana Chava, Founder and CEO

In Q3 we are getting our debottleneck capacity available only in the month of December. So we see some growth in Q3, but the capacity enhancement will be visible in Q4 so we still expect growth in Q3 and Q4 we'll see even bigger growth than what it was in Q2.

Sudarshan Padmanabhan, Analyst

Sure sir. From a longer-term period perspective given that strong demand that you've talked about I mean, should we assume that even from these levels annualized level say FY '22 '23 '24. I mean with the capacity is also coming in, we should be able to do at least 15% to 20% the idea and the formulation side?

Satyanarayana Chava, Founder and CEO

We are creating capacity to meet that kind of growth so I will leave at that state since we are not giving any guidance. What we're doing, we are adding about 30% more capacity in the APIs from now to next 18 months. That is, we're adding about 1500 kilo liters of capacity and we will add about 5 billion more tableting capacity from now to next 18 months.

Sudarshan Padmanabhan, Analyst

Okay, this is now formulation site.

Satyanarayana Chava, Founder and CEO

Formulation site.

Sudarshan Padmanabhan, Analyst

And how much would that be as a percentage?

Satyanarayana Chava, Founder and CEO

We are adding maybe 80% more capacity than what we are having currently in formulations.

Sudarshan Padmanabhan, Analyst

And there is no one off in this quarter as far as the formulations or EPS are concerned one-off sales of supplies?

Satyanarayana Chava, Founder and CEO

I think here, I want to make it clear (Technical Difficulty) added any new product, we haven't added any new customer, we're haven't generated any revenue from new product so we are very clear that there is no one off in Q1 there is no one off in Q2. I think this is this growth is led by increased volumes of our existing products from existing customers.

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Sudarshan Padmanabhan, Analyst

Thanks a lot, sir thanks a lot for your commentary and congratulations for great set of numbers once again.

Operator

Thank you, sir. We have next question from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane, Analyst

Congratulations on the great set of numbers. Just on this formulation side so what would be the current gross not with this debottlenecking in all still happen?

Satyanarayana Chava, Founder and CEO

Current grasp would be INR550 crores around. Final gross block. We have plans to invest about a little over INR300 crores in the same site to expand capacity. Debottlenecking we're spending about INR50 crores and we are getting about a billion tablet capacity extra.

Tushar Manudhane, Analyst

Got you. So this just to make it clear, so INR550 crores for the 5 billion and then incrementally INR60 crores for another 1 billion and then another INR300 crore to double the capacity or rather increase the capacity by 5 billion correct?

Satyanarayana Chava, Founder and CEO

Actually, when I said around 500 that includes our capital outlay for debottlenecking as well.

Tushar Manudhane, Analyst

So do given this asset term of almost 3x safe to assume that kind of an asset turn for the upcoming CapEx as well?

Satyanarayana Chava, Founder and CEO

Tushar, when the assets get matured probably you may get a kind of the level, but when you start a 5 billion capacity, you can't get into day 1.

Tushar Manudhane, Analyst

No, no, of course, of course, over a period of two years.

Satyanarayana Chava, Founder and CEO

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Over a period of like -- yes. But you have -- you have take into consideration even the API investment also. Today, if your average asset turn is 1.5, Right?

Tushar Manudhane, Analyst

Right.

Satyanarayana Chava, Founder and CEO

Yes.

Tushar Manudhane, Analyst

No, I was particularly looking for formulation asset.

Satyanarayana Chava, Founder and CEO

If you are asking an incremental probably you can take it as a 2.

Tushar Manudhane, Analyst

Understood. And secondly just on this -- so currently the formulation composition would be how much? ARV, U.S. ANDA, and specific European customers for the quarter?

Satyanarayana Chava, Founder and CEO

As we mentioned, our distribution of revenue coming from LMAC and other developed markets is 75% to 25% around that number. And that number is almost constant for the last few quarters and we expect that will continue.

Tushar Manudhane, Analyst

I got it, thanks. Thanks a lot, that's it for me.

Satyanarayana Chava, Founder and CEO

Thanks.

Operator

Thank you, sir. We have next question from the line of Cyndrella Carvalho from Centrum Broking. Please go ahead.

Cyndrella Carvalho, Analyst

Yes, thanks for the opportunity and congratulation on great quarter numbers. Sir, just want to understand our positioning in Tenofovir and Lamivudine. If you could help us understand in terms of our global positioning and is

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there any benefit that we are receiving today or is there any global supply chain disruption which these 2 names are facing and how do you anticipate it going ahead, from a capacity expansion plan as well, if you could add?

Satyanarayana Chava, Founder and CEO

ARV, the preferred first-line therapy is Tenofovir, Lamivudine, Dolutegravir. And we are expanding capacities of these 3 APIs significantly. And because of our scale and backward integration, we expect we continue to gain market share and we continue to maintain our margins in the ARV API because of these things.

Cyndrella Carvalho, Analyst

Sir, any color in terms of what could be our market share in these 2 names globally.

Satyanarayana Chava, Founder and CEO

In the Tenofovir, we expect, we have more than one-third of market share in APIs, I'm not adding formulation what we're doing. And the Lamivudine, we don't have one-third market share, but we are aiming to get more than 30% market share. Once the new capacity expansion comes live. And Dolutegravir we have 30% market share as API.

Cyndrella Carvalho, Analyst

And sir, if you could help us understand is there any kind of supply disruption in the global supply chain in these 3 API side, which could benefit us right now or going ahead?

Satyanarayana Chava, Founder and CEO

We haven't seen any supply disruption in these APIs with respect to starting materials or with respect to intermediates and API. So our growth in this segment -- these APIs is primarily because of increased access. There were 3 million new patients added into treatment and some of the non-integrated players are getting approval using our API. So these are the 2 main reasons for growth in this segment, not because of any disruptions in the supply chain.

Cyndrella Carvalho, Analyst

Also our own formulation also mostly contributing to it. Is that correct, understanding, sir?

Satyanarayana Chava, Founder and CEO

We're supplying API through our formulation but that API is not counted in our market share. When I said our market share in API as a third-party API sales, I didn't consider our supply to formulation in that number.

Cyndrella Carvalho, Analyst

Internal.

Satyanarayana Chava, Founder and CEO

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Yes.

Cyndrella Carvalho, Analyst

Okay, understood sir. And sir, coming to -- I mean we have seen these extraordinary numbers and the growth trajectory years on a different league altogether, so would you be able to help us understand for FY '22, '23, what kind of in terms of the segments that we operate, what should we model to understand the growth trajectory and knowledge into that would be slightly helpful.

Satyanarayana Chava, Founder and CEO

We are continuously expanding our manufacturing footprint in all the segments and we expect to grow more -- the current levels with good growth, and we also expect to maintain our profit margins, because of operational leverage, because of manufacturing efficiencies. We expect to have good growth in our top line.

Cyndrella Carvalho, Analyst

Thank you so much. All the best.

Satyanarayana Chava, Founder and CEO

Thank you.

Operator

(Operator Instructions) We have next question from the line of Nimish Mehta from Research Delta Advisors. Please go ahead.

Nimish Mehta, Analyst

Yes, thanks for the opportunity and congrats for a great set of numbers, and I'm just trying to understand from a broad perspective on the growth that we have seen in the formulation business. Is it because of increased demand in the countries that we are targeting or it is something else? You know, like what is the genesis of the growth, if you can explain that would be very helpful.

Satyanarayana Chava, Founder and CEO

The growth in formulations -- there are two factors. One is growth in our ARV formulation share primarily because of market itself expanding with the number of millions of people accessing the ARV treatment. That is one. And second, our contract manufacturing revenue from Europe is also increased, and we are also launching our products in Canada, our products in Europe, and in U.S. So the growth is coming from these two segments. The growth in patients accessing the ARV treatment and launch of more products in more geographies.

Nimish Mehta, Analyst

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Okay. Okay. Understood just to dwell a little bit on that, you mentioned that growth in those -- ARV is basically because of the expansion in market. Generally, we would think that in times when there is a pandemic like this, other treatments are generally not seeing any increases especially that anti-infective treatments or infections treatment. So is there any specific reason why more patients are getting treated for anti-retro for HIV, even in a situation like this where usually other clinic, other doctors are not operating and most of them are actually looking working for COVID patients?

Satyanarayana Chava, Founder and CEO

During this pandemic, there is a slight shift in dispensing pattern. More countries move to multi-month dispensing rather than every month dispensing. Either, they are giving three packs for 30 or they are giving a pack of 90 for the patients. So the patients need not come and see the dispensary or a doctor frequently. So that shift happened.

Nimish Mehta, Analyst

So there is basically more -- in a way there is more stocking per patient, which is happening because of COVID that is one of the reasons driving the growth in the ARV market. Is that a fair understanding?

Satyanarayana Chava, Founder and CEO

There is no stocking up. So whenever the patient comes instead of he getting one pack of 30, he is getting a two or three packs of 30, so that he may not come to the dispensary quite often during this crisis. Yes. There is no stocking of the inventory. They started buying more of multi-month dispensing right now. So there is no stocking up. Yes.

Nimish Mehta, Analyst

Understood. But in terms of the number of new patients getting added that maybe a factor only and cannot be any significantly different right?

Satyanarayana Chava, Founder and CEO

In the last 12 months, all these countries and agencies were able to add 3 million new patients into treatment. That was primarily because of the development goals of 90/90/90. That is 90% of the people who are aware should get treatment and 90% should have viral reduction. That -- in fact, people want to revise it to 95/95/95. That means more people will have access to the HIV treatment. Early the treatment, the minimum, the new infections. That is a kind of the message these global agencies are propagating. We expect the number of patients will they continue to increase current year and the year after as well.

Nimish Mehta, Analyst

Okay, okay. Thank you very much. This was greatly helpful. Thank you again.

Operator

Thank you, sir. We have next question from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

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Nitin Agarwal, Analyst

Hi, sir. Thanks for taking my question. So just continuing on the ARV business just to help me understand a little better, the market shift, which is happening in there, is largely a TLE to TLD market shift. We were already strong in the TLE segment earlier. So the growth which is happening in the business now, are we gaining market share from on -- in general in the ARV market versus what you were two years back?

Satyanarayana Chava, Founder and CEO

You're talking about the formulations or API?

Nitin Agarwal, Analyst

Put together, sir. I mean, because the thing is our API business is still about, as of today we are almost, give or take with the API and formulation put together almost INR3,000 crores of ARVs as a current run rate versus INR1500 crore API business we used to do earlier. So obviously, the market is not expanded as much. So has it just been a very significant market share shift that we've got as the regime has shifted from TLE to TLD?

Satyanarayana Chava, Founder and CEO

You're right. We have absolute leadership position in Efavirenz, but Efavirenz, the treatment moving to Dolutegravir, three things happened. One is, earlier we were selling more Efavirenz, less of our drugs. Now we are selling all three components of the preferred treatment that is Tenofovir, Lamivudine and Dolutegravir. And also we are getting formulations sale in the TLD because we are one of the first company to get approval. We are the number 3 to get approval. Although there were 8 approvals right now. We continue to enjoy market share because of our backward integration, because of our ability to supply on time, and we're able to price it very cost effectively. So you're right. So our market share revenue throughout both the API as well as formulations, it is very good right now.

Nitin Agarwal, Analyst

Sir, what would be our -- what would be -- what you sense, what would be the market of the -- what share would we have with the total TLD market today from an API perspective and from a formulation perspective in both the categories put together?

Satyanarayana Chava, Founder and CEO

We are at 20% of the TLD market share expect South Africa.

Nitin Agarwal, Analyst

On the formulation side?

Satyanarayana Chava, Founder and CEO

On the formulation side.

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Nitin Agarwal, Analyst

And sir, on the APIs?

Satyanarayana Chava, Founder and CEO

API side maybe you can add another 10%, 15%.

Nitin Agarwal, Analyst

So we're currently about 30% of the overall TLD market across APIs and formulations, basically of the overall, we are in the 30%, 35% of the TLD market we are present, either through API or through formulations?

Satyanarayana Chava, Founder and CEO

Yes. That's a good assumption. Yes.

Nitin Agarwal, Analyst

And sir, how much can we scale this thing from here on?

Satyanarayana Chava, Founder and CEO

I think we expect to remain at that level, but what we need to consider is the number of people accessing treatment will go up even we remain at the percentage, the base will grow.

Nitin Agarwal, Analyst

Okay. Sir secondly, on the U.S. market, when you take a three to five year view of the business, barring -- so how should be, what are the big opportunities in the U.S. for us in terms of, is it going to be the same, I mean, we've obviously done a few ANDA filings P4 filings. But is it just market share gain in these launches or are there some larger sort of products which can meaningfully impact the U.S. business growth for us in next three to five years?

Satyanarayana Chava, Founder and CEO

We expect to see a significant jump in U.S. because of our new product approvals will come next year. We don't have very large products. We are launching this financial year. We will have some significant launches in the next financial year.

Nitin Agarwal, Analyst

Okay, sir. Okay. Thank you sir, and best of luck.

Satyanarayana Chava, Founder and CEO

Thank you.

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Operator

Thank you. We have next question from the line of Aakash Manghani from BOI AXA Mutual Fund. Please go ahead.

Aakash Manghani, Analyst

Good morning, sir. Thanks for taking my question and congrats on very good set of numbers. Couple of questions. So to start with, this CapEx that you highlighted of INR1200 odd crores, by when will this get commercialized and by when do you expect to operate at maybe 80%, 90% or more utilization on this expansion?

Satyanarayana Chava, Founder and CEO

The majority of the CapEx will be operational by June FY -- June 2022.

Aakash Manghani, Analyst

Okay. And if you could reiterate the split of the CapEx within your 3 segments?

Satyanarayana Chava, Founder and CEO

You can say broadly we are spending 40% in API, 40% in formulations and 20% in synthesis. That's a broad number you can take.

Aakash Manghani, Analyst

Okay. And how would it be funding this CapEx of INR1200 crores.

Satyanarayana Chava, Founder and CEO

The internal.

Aakash Manghani, Analyst

Okay, the entire INR1200 crores is internal.

Satyanarayana Chava, Founder and CEO

Yes, it will be done internal. That is the one reason where we are not planning to reduce our current debt and we want to invest for cash profit, we get into either in funding working capital or creating more infrastructure.

Aakash Manghani, Analyst

And in your estimate, once this gets commercialized by June 22, it will take you about 2 to 3 years to utilize it completely?

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Satyanarayana Chava, Founder and CEO

Out of this CapEx, majority is being done, -- brownfield -- greenfield. So we don't anticipate that much delay in generating revenue from these new capital expenditure.

Aakash Manghani, Analyst

Okay. And what would be the sort of a revenue mix that you may achieve say 2 years down the line after commercialization of this CapEx? Today as of H1 API is 52%, formulations grossly 40%. How would just look by FY '24 or so?

Satyanarayana Chava, Founder and CEO

We expect the percentage should remain broadly the same. So 40% coming from formulations maybe 40 and odd percent coming from APIs and remaining coming from syntheses. We don't see percentage changes significantly, but the base will increase significantly from the current level.

Aakash Manghani, Analyst

Okay. So that means your profitability that you achieved in this quarter or the first half, I don't know what base should I consider, but would that be similar 2 years down the line?

Satyanarayana Chava, Founder and CEO

You're talking about the absolute number or percentage wise?

Aakash Manghani, Analyst

Percentage, EBITDA margin that is 32% 33% in this quarter, if the sales mix sort were to remain similar for the next 2 to 3 years, would you be able to sustain this level of profitability?

Satyanarayana Chava, Founder and CEO

We hope so.

Aakash Manghani, Analyst

Got it. And so, thereby ROC profile should look in what range if we put sort of guide zone on that? Once this CapEx is commercialized, then utilize that peak capacity.

Satyanarayana Chava, Founder and CEO

Current ROC is very attractive. For H1, we had ROC is over 37% but that will come down because we are putting significant CapEx in the next 18-24 months, but we believe it will be industry's best, yes.

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Aakash Manghani, Analyst

Got it. And last question on the synthesis bit. You mentioned that four of these molecules are commercialized and you have a lot under development. Could you give some more long roadmap as to how you want this business to shape up because there is a lot of potential on the CDMO side of things, what's the reason for this side of the business?

Satyanarayana Chava, Founder and CEO

See here our growth in this division, depends on how the molecules are performing in the clinical phase. We have several molecules -- interesting molecules in various clinical stages. We are not anticipating all those will be successful or all those will be failures, but there will be a certain amount of assumptions we did, how many will succeed in going to the next clinical phase. And we have very interesting molecules in the development right now. That is the reason we are creating a dedicated R&D and we are in the process of creating a dedicated manufacturing site to give them flexibility to take projects or increase the number of projects what they currently handle.

Aakash Manghani, Analyst

Okay. Okay. Fine. Thanks for your answers. Wish you all the best.

Operator

Thank you, sir. We have next question from the line of Jeevan Patwa from Candyfloss Advisors. Please go ahead.

Jeevan Patwa, Analyst

Congratulations. One question I have. So apart from your custom synthesis business, is there any contract manufacturing revenue in your API and FDF verticals?

Satyanarayana Chava, Founder and CEO

Yes, we have. See our contract manufacturing of APA's or contract manufacturing formulations is not considered in our custom synthesis business.

Jeevan Patwa, Analyst

So how much would be that?

Satyanarayana Chava, Founder and CEO

Maybe 20% of our other revenue coming from contract manufacturing.

Jeevan Patwa, Analyst

So that includes custom synthesis right?

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Satyanarayana Chava, Founder and CEO

Apart from synthesis, about 10% of revenue -- 10% of our overall API revenue coming customers synthesis and custom -- custom manufacturing I would use, 10% of revenue is coming from contract manufacturing. Probably, similar number, 10% of our formulation is also coming from contract manufacturing. So the 20% of our revenue is coming from contract manufacturing of generic APIs and formulations and about 10% of our revenue coming from custom synthesis. So if you look at our overall revenues coming from contract manufacturing and custom synthesis, it's close to maybe 25% to 30% of our overall revenue.

Jeevan Patwa, Analyst

Great, sir. Great. So that is something similar to what Divi's also does right? So another question I had was, I look at Laurus Labs as a process innovator. So Laurus has actually done it in the past successfully. It has done it for Efavirenz and then it had done it for Dolutegravir as well. It had done it for Metformin as well. So if I looked at in next three to four years, which are the large APIs where you are basically targeting for this process innovation and you want to be the cost leader in those APIs? If you don't want to disclose the names, you can just tell me what kind of size of APIs you're looking at?

Satyanarayana Chava, Founder and CEO

We have 25% or more market share in seven APIs what we make. And we want to expand that number to 15 APIs where we would like to have 25% or more global market share in the next two to three years.

Jeevan Patwa, Analyst

Would be those APIs, if I can ask? Are they like billion dollar plus kind of APIs?

Satyanarayana Chava, Founder and CEO

There is no API sale which is billion dollar. So there are very large volume APIs, maybe each of these APIs will have the ability to generate \$10 million or more, maybe I can give that number. When I am saying global leadership, we were not talking about 100% leadership but generating \$1 million revenue. We are talking about leadership on large volume APIs.

Jeevan Patwa, Analyst

Okay. And there you will also have the formulation also, right? The vertical integration you will have there?

Satyanarayana Chava, Founder and CEO

Majority of those will have formulations, but some of them may not have.

Jeevan Patwa, Analyst

Okay, thanks a lot, sir. And all the best.

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Satyanarayana Chava, Founder and CEO

Thanks.

Operator

Thank you, sir. We have next question from the line of Naresh Suthar from SBI Life Insurance. Please go ahead.

Naresh Suthar, Analyst

Yes, sir. Thank you for taking my question. Sir my question is around the CapEx plan, which you highlighted. You said your formulation facility will go up by 80%, 5 billion tablets. So just wanted to know to utilize this facility, what are the drivers? Like, are these LMIC driven ERV or these are developed markets like U.S. and Europe? So, which are the key markets to utilize this by the way?

Satyanarayana Chava, Founder and CEO

The expanded capacity in formulations, majority of that will be utilized for Europe and U.S.

Naresh Suthar, Analyst

Okay. And for that, I mean, and the ANDA pipeline, which you have built, that will be the key for this utilized?

Satyanarayana Chava, Founder and CEO

Yes.

Naresh Suthar, Analyst

Okay. Okay, thank you.

Satyanarayana Chava, Founder and CEO

Thank you.

Operator

Thank you, sir. We have next question from the line of Ritesh Rathod from Nippon India Mutual Fund. Please go ahead.

Ritesh Rathod, Analyst

Hello. Yes sir. Can you help me how dispensing of the yearly medicines has changed in this COVID in LMIC countries like on the ground level?

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Satyanarayana Chava, Founder and CEO

The dispensing what we believe from the reports and also commentary given by these agencies, they are gradually moving from single monthly dispensing to multi-month dispensing. So they are moving from a bottle of 30s to a bottle of 90s and 180 so that people will have to come to the dispensaries fewer times.

Ritesh Rathod, Analyst

Okay. And when you -- when you said 3 million new patients got added, was it on a base of -- it's annual addition on whatever base -- what was the based on which it got added.

Satyanarayana Chava, Founder and CEO

These are the new patients who were enrolled to receive anti-retroviral treatment.

Ritesh Rathod, Analyst

So what would be the base, and was it annual addition?

Satyanarayana Chava, Founder and CEO

When they're added into the treatment, they continue to be on treatment. So assuming 3 million new patients added, that means there will be 36 million bottles of -- some kind of treatment is required, that 3 million into 12 months. So they will need 36-month -- 36 million bottles of some kind of ARV treatment.

Ritesh Rathod, Analyst

And you spoke about the target of 90/90/90 for reaching that HIV of WHO target, so where they are in the journey? Can you give us some idea according to your estimate?

Satyanarayana Chava, Founder and CEO

See right now, they're not at 90/90/90,, some countries achieved that target, but some countries falling behind the target, but there's a great progress done. So if you multiply 90x90x90, about 72 odd percentage has to get the viral load suppression, but that is about 62%, right now. So when you compare 62 to 72 and odd, still there is a 15% to 20% gap is there. So there is enormous need of HIV medication to reach that 90/90/90 goal, but UN, they want to revise that target to 95/95/95 with an aim to reduce the number of people dying because of HIV to less than half a million per year.

Ritesh Rathod, Analyst

And then since, you said you were the third who got the approval as the status for you supplying these formulations, how many new players have got added till now?

Satyanarayana Chava, Founder and CEO

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It may be up to 10 players in HIV, some of them are fully integrated, some of them are partially integrated, some of them are not integrated. So we have 10 companies active in HIV's play space in the LMIC markets.

Ritesh Rathod, Analyst

Thank you, thank you. That's from my side. Thanks.

Satyanarayana Chava, Founder and CEO

Thank you.

Operator

Thank you. We have next question from the line of Harith Ahamed from Spark Capital Advisors. Please go ahead.

Harith Ahamed, Analyst

Hi, good morning, sir. Thank you for taking my question. Earlier, we had talked about an aspirational market share around 15% in the LMIC first line ARV formulations market. So could you give a sense of where we are in that journey towards 15%? And so, our current market share and then has there been any improvement versus what our share was in FY20?

Satyanarayana Chava, Founder and CEO

FY20 our formulation sale itself is not that significant, but we expect to maintain this market share and our base will increase as the number of people accessing the treatment will increase.

Harith Ahamed, Analyst

So have you reached that share mark already or we are moving towards?

Satyanarayana Chava, Founder and CEO

We are at -- in first line, we believe we're at 15% market share, right now.

Harith Ahamed, Analyst

Okay. And on the API front, I believe you said you're seeing strong growth in our external sales of kind of where we're lagging and other frontline APIs excluding Efavirenz. So here again, the question is whether our share has increased in these APIs or is this growth being driven by an expansion in the market for these APIs, just trying to understand that?

Satyanarayana Chava, Founder and CEO

We also have very good market share in these first line APIs for third-party API sales. If you put both the API and formulation in the first line treatment, we have a very good market share, and we expect we continue to retain that market share despite the growing number of people accessing the treatment.

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Harith Ahamed, Analyst

Okay, got it. Sir. Thank you.

Satyanarayana Chava, Founder and CEO

Thank you.

Operator

Thank you, sir. We have next question from the line of Krish Mehta from Enam Holdings. Please go ahead.

Krish Mehta, Analyst

Yeah, hi. Congratulations on the great set of numbers. I had two questions, the first is, can you me how much incremental revenue this quarter we got some TLE400 and TLE600 and the follow-up to that is how much of this is just taking share or is this one time stocking in the local supply chains?

Satyanarayana Chava, Founder and CEO

We're not giving that minute details of the split between our revenues in TLE400, TLE600, and DLT. We believe our growth in these revenues is not because of stocking. As I mentioned, we also have highest order book in the company's history. That clearly demonstrates that there is no one off in our numbers in Q2.

Krish Mehta, Analyst

Okay, thank you so much.

Operator

Thank you, sir. We have next question from the line of Sameer Shah from ValueQuest Investments. Please go ahead.

Sameer Shah, Analyst

Good morning, sir. Thanks for taking my question. My first question is this, apart from HCQ, do we have any other play in any of the COVID related drugs, whether APIs or filing

Satyanarayana Chava, Founder and CEO

We are not there in any COVID related APR formulation. We are not in Remdesivir, where we are not in Favipiravir, we are not in dexamethasone. We are not in any other therapy except HCQ. But as you are aware, the treatment based out of HCQ, the COVID maintenance is negligible right now. So our revenues related to COVID treatment is negligible or close to zero.

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Sameer Shah, Analyst

All right. And sir, second question on the custom synthesis business, if you can give some more color in terms of what our, -- what is our target segment, what are the kind of orders that we are targeting and stuff like that and what kind of a size in next two to three years do you want this business to become?

Satyanarayana Chava, Founder and CEO

The custom synthesis, we have specialized in, one is the steroids and hormones, and second one is oncology, and third one is large volume. I think we have projects in all these three -- both -- all three, steroids, hormones. We have several molecules in clinical phase in oncology. And we are also working on molecules where the capacity requirements are very large.

Sameer Shah, Analyst

And sir, if you can give some color on this, like you said U.S. some significant approvals are expected next year. So what are these filings?

Satyanarayana Chava, Founder and CEO

I can't give you any specific details right now. We can only give details about the filed so far, but not the future filings. We can only give number but not the specific names.

Sameer Shah, Analyst

Okay. So, but these are in which segment? I mean those also would be in oncology kind of segment?

Satyanarayana Chava, Founder and CEO

No, we are not finding any ANDAs in oncology. I mean our formulation. So these are non-oncology formulations.

Sameer Shah, Analyst

Okay. Okay. All right sir, thank you so much.

Satyanarayana Chava, Founder and CEO

Thank you.

Operator

Thank you. We have next question from the line of Shri Hari from PCS Securities, please go ahead.

Shri Hari, Analyst

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Current PX: 319.4
YTD Change(\$): 247.45
YTD Change(%): 343.919

Bloomberg Estimates - EPS
Current Quarter:
Current Year: 10.798
Bloomberg Estimates - Sales
Current Quarter: 10513
Current Year: 37549

Yeah, thanks for the facility and congrats on a great set of numbers. My question centers around the dosages business. With the volume growth data for (inaudible), overall, LMIC in Efavirenz. And secondly on -- I mean how do you look at the per unit realization going down the line over the next 2 to 3 years?

Satyanarayana Chava, Founder and CEO

Shri Hari, can you repeat your question, your voice is not very audible.

Shri Hari, Analyst

Yeah, basically, I wanted to know the volume growth and via-via; of the overall LMIC and for Efavirenz?

Satyanarayana Chava, Founder and CEO

LMIC and Efavirenz you're talking?

Shri Hari, Analyst

Yes, the volume growth.

Satyanarayana Chava, Founder and CEO

In Efavirenz actually, there was a de-growth. So if you recollect our investor calls several quarters, I think most of the questions were related to Efavirenz, how the growth, how the shift to Dolutegravir and all. At least, I'm happy that you asked this Efavirenz question. Now Efavirenz revenues in the overall company's revenues are less than 10% -- it's a single digit. It used to be 50% earlier. Now it is a single digit. There is a de-growth in volume, but our market share has gone up in Efavirenz, because many people are not manufacturing it. We became the preferred supplier. Still it is an interesting product for us, but other molecules are growing. So the percentage of revenues coming from Efavirenz is going down, but as an absolute number, still it is an interesting product for us.

Shri Hari, Analyst

Yeah. Sir, I wanted ask in your overall growth what has been the volume growth, sir? That is what I was asking.

Satyanarayana Chava, Founder and CEO

Efavirenz is volume de-growth, in fact.

Shri Hari, Analyst

Yes, I'm asking about overall business and LMIC business.

Satyanarayana Chava, Founder and CEO

The volume in the sense, you were talking about APIs or formulations Shri Hari?

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Shri Hari, Analyst

I'm talking primarily about formulations sir, the 5 billion tablet capacity that you have.

Satyanarayana Chava, Founder and CEO

Okay. Formulations the current capacity majority utilized for LMIC markets. For new capacity what we're setting up will be majority used for Europe and U.S.

Shri Hari, Analyst

Okay, sir. I mean, I understand that. I mean, I wanted to know what is the volume growth or dosages Y-o-Y and Q-o-Q.

Satyanarayana Chava, Founder and CEO

Maybe can you send an email to our Monish and then we'll able to respond, because we we're unable to hear you properly and we're unable to answer you straight away to the query what you had, maybe you can take it offline with Monish. Yes.

Shri Hari, Analyst

Yes. Sure, I will do that. Thank you.

Satyanarayana Chava, Founder and CEO

Thank you.

Operator

Thank you. We have next question from the line of Andrey Purushottam from Cogito Advisors. Please go ahead.

Andrey Purushottam, Analyst

Congratulations for a great set of numbers. I had basically a question regarding one sustainability of margin, which was very high, right at 32% and 33% and the 22% EBITDA and PAT margins. Going forward, I think you said somewhere during the call that the mix that we currently have about 50/40/10 between these businesses is likely to remain similar in the near future? But if I misunderstood the please correct me. And I also want to know, so how should we look at the growth rates in these three segments over let's say a two or three year period? And if you could advise me as to whether the formulations business is essentially more profitable than the API business and if that is so and if that share is going to increase, can we look forward to enhanced margin on account of that?

Satyanarayana Chava, Founder and CEO

All three divisions will continue to grow. In API division, the new growth primarily will come from non-ARV, onco, APIs. And in formulations, the growth will come from both LMIC, ARV, and non-ARV in Europe and U.S. The synthesis business is, as I mentioned, we are specialized in large volume and oncology and steroids and almost all those

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will grow. I think if you look at where we generate significant margins, it's in synthesis business, oncology, non-oncology APIs, and when it comes to the ARV, APIs, and formulations, I think because of the volume is very large, we generate much asset turnover ratio and even though the margins are little lower, but we generate very good EBITDA number there.

Andrey Purushottam, Analyst

So will these margins sustain sir?

Satyanarayana Chava, Founder and CEO

We expect so. The revenue growth will continue. And that will help us to have operational leverage, and also our R&D spend in absolute term will remain around INR160 crores to INR170 crores, but as a percentage, that will go down. And also our manpower cost will not grow proportionally to our revenue. So this will help us to maintain our EBITDA margins.

Andrey Purushottam, Analyst

Okay. Thank you, sir. Thank you.

Satyanarayana Chava, Founder and CEO

Thanks. Thanks.

Operator

Thank you, ladies and gentlemen. We take the last question from the line of Ranvir Singh from Sunidhi Securities.

Ranvir Singh, Analyst

Yes, thanks for taking my question. So just a few clarity on LMIC market what we are selling is purely a tender business or we have some products outside tender also?

Satyanarayana Chava, Founder and CEO

In the LMIC.

Ranvir Singh, Analyst

Formulations.

Satyanarayana Chava, Founder and CEO

On the tender based. And as we clarified in the previous calls, these tenders are not one time tenders. These tenders are multi-month tenders. So for example, we have visibility what product we supply to which country in June 2020. That is the kind of visibility these agencies will give and tenders are not meant for the next month sales. So these are very long

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term more sustainable tenders and in many a case these tenders are not winner-takes-all, so even the L1 will not get 100%. so there is a sustainability built in the tendering process so we evenly divide it across the players based on their performance, quality, their capacity, their ability to meet short-term demands. So there many factors influence these tenders, and we are very comfortable right now with the order book and visibility what we have in the LMIC markets.

Ranvir Singh, Analyst

So LMIC market, is at 75% of our formulation, is it from LMIC, sir?

Satyanarayana Chava, Founder and CEO

You are right. You're right.

Ranvir Singh, Analyst

Okay. Okay. And on the CapEx side, you said INR1,200 crore CapEx will be in two years, so this is from FY '21 to '22 or '22 to '23, how this is --

Satyanarayana Chava, Founder and CEO

It is FY '21 and '22.

Ranvir Singh, Analyst

Okay. Okay. And what can ARV market, dispensing is moving from single month to multiples months, does it any way imply that some bunching of demand happens because the multi-month dispensing, since multi-month requirement are procured at one time. Is this anything to do with that bunching, if you could clarify?

Satyanarayana Chava, Founder and CEO

We couldn't hear your last question, because there was a lot of disturbance in your voice and also here. So we couldn't hear your last question.

Ranvir Singh, Analyst

Yes. So what I am asking that because we are moving from single-month dispensing to multi-month dispensing, does it anyway imply that we, the clients, should procure more at once, means that there would be bunching of orders or bunching of demand for that ARV prescription?

Satyanarayana Chava, Founder and CEO

The shift is gradual. We also started supplying multi-month dispensing right now. So I think there is a bulging of orders. Yes. The orders what we have for the future is more for 90s and 180s rather than 30s. But currently, we are still supplying large volume of 30s. So there is no bulging of orders.

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Ranvir Singh, Analyst

Okay. And in synthesis business, what would be the contribution of supply to (inaudible).

Satyanarayana Chava, Founder and CEO

We can't give you specifically but that's attained a peak level of our steroids and hormones. So the growth is coming from non-aspen business, that much I can make that statement.

Ranvir Singh, Analyst

So aspen business is scalable from here or it has already reached its peak?

Satyanarayana Chava, Founder and CEO

Aspen business reached its peak and the growth in synthesis business is coming from non-aspen business.

Ranvir Singh, Analyst

Okay, that's it from my side. Thanks a lot, sir.

Satyanarayana Chava, Founder and CEO

Thank you.

Operator

Thank you very much, sir. Ladies and gentlemen, that was the last question. I'd now like to hand the conference over to the management for closing comments. Over to you, sir.

Satyanarayana Chava, Founder and CEO

Thanks everyone for your interest in the company and also very insightful questions you were asking. Some of these questions will help us to pre-align our priorities and interest to keep the entire stakeholders value continuously growing. Thank you.

V.V. Ravi Kumar, Executive Director & Chief Financial Officer

Thank you.

Operator

Thank you very much sir. Ladies and gentlemen, on behalf of Kotak Securities, that concludes this conference call. Thank you for joining with us and you may now disconnect your lines. Thank you.

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