

**THRU ONLINE FILING**

February 19, 2024

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Dalal Street  
Mumbai 400 023  
Scrip Code – 524494

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Dear Sirs,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith transcript of our Conference Call which was held on Friday, 16<sup>th</sup> February, 2024 to discuss the Company's Q3 / Nine Months FY24 earnings and business update.

Thanking you

Yours faithfully  
For Ipca Laboratories Limited

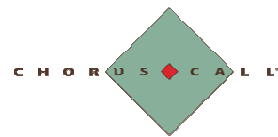
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“Ipca Laboratories Limited  
Q3 FY '24 Earnings Conference Call”  
February 15, 2024



**MANAGEMENT:** **MR. AJIT.KUMAR. JAIN –MANAGING DIRECTOR –  
IPCA LABORATORIES LIMITED  
MR. HARISH KAMATH – COMPANY CORPORATE  
COUNSEL – IPCA LABORATORIES LIMITED**

**MODERATOR:** **MR. NITIN AGARWAL – DAM CAPITAL ADVISORS  
LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the IPCA Laboratories Q3 and FY '24 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and zero on your touchtone phone. Please, note that this conference is being recorded.

I now hand the conference over to Mr. Nitin Agarwal. Thank you, and over to you, sir.

**Nitin Agarwal:** Thanks, Azhar. Good afternoon, everyone, and very warm welcome to IPCA Lab's Q3 FY '24 post-results earnings call, hosted by DAM Capital Advisors Private Limited. On the call today, we have representing IPCA Management, Mr. A.K. Jain, Joint Managing Director; and Mr Harish Kamath, Company's Corporate Counsel.

I will hand over the call to Mr. Jain to make open comments, and then we'll open the floor for questions. Please go ahead, sir.

**Ajit Kumar Jain:** Thanks, Nitin, and DAM Capital Advisors for organizing this call. Good afternoon to all participants, and thanks for taking out time and joining us for Q3 FY '24 Earnings Call. Today's call and discussions and answer given, may include forward-looking statements based on our current business expectation that must be viewed in conjunction with the risk that pharmaceutical business faces. Our actual future financial performance may differ from what is projected and perceived. You may use your own judgment on the information given during the call.

Our domestic formulation business has delivered 11% growth for the quarter, and we are ranked as the 16th Indian pharma company as late December '23. Market beating growth in both acute and chronic therapies are achieved for this quarter. The chronic market, market growth was 11%. IPCA has grown by almost around 15.9%. And on Acute segment, market growth was 9.1% and IPCA has achieved around almost around 11.3%. This is as per IQVIA MAT December 2023.

With two range jump over corresponding period, IPCA is 13th in Acute segment and IPCA has maintained its rank in the Chronic segment. IPCA's market share has improved to 1.9% MAT December '23 as against 1.89% in the December '22. So from 1.89%, it has gone to 1.95%. Our export formulation business has given a growth of around 8% for the quarter from INR400 crores to around INR433 crores.

The branded formulation business in ROW declined from INR128 crores to INR105 crores. This is mainly due to certain shipment could not go to the CIS market. Myanmar business is impacted because there are issues and licenses are getting delayed for a long period of time.

So without import licenses in that country, shipment cannot go. And certain business of West Africa affected for two reasons. One is Red Sea reason and another, some kind of slowness in the market also. So because of that, the branded business in this quarter is down. Institutional

antimalarial business has declined from INR77 crores -- INR277 crores from INR83 crores in the same quarter last financial year.

Export generic business in UK and other market has delivered a growth of around 33% from INR189 crores to around INR252 crores. So overall brand, the generic -- the export formulation business has grown by around 8%. API business declined from INR329 crores to around INR285 crores for this quarter. We continue to face volume decline in certain API, but pricings are now getting stabilized.

On margin front, on stand-alone basis, EBITDA margin improved by around to 2.78% from -- to around 18.55% for the quarter from 15.77% in the corresponding period of last financial year. The material cost to sales ratio also improved by 2.65% for the -- and also for -- in the current first 9 months of the current year.

So overall, material cost to sales ratio from 34.86%, it has come down to around 32.21%. Both shipping costs and energy cost prices has moderated as against prevailing prices in December '22 last financial year. And we are also witnessing a price stability on majority of our procurement.

Consolidated EBITDA margin before exchange gain loss or exceptional income has gone up by 1.12% during the quarter. From 15%, it has moved to around 16.12%. Consolidated material costs to operational income has improved by around 2.39% from 36.34% to 33.95% for the quarter.

Having given the broad numbers, now I request participants to ask questions, if any.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kunal Dhamesha from Macquarie.

**Kunal Dhamesha:**

So the first one on now that we have -- had a full quarter with Unichem -- what are your updated thoughts on synergies that we can generate in terms of call it quantitative synergies over the next 2 years? And what are the primary drivers that you see to generate those synergies? And then consequently, what that can lead to our total profitability?

**Ajit Kumar Jain:**

So we are working on lot of things. As we have discussed earlier, like market extensions, the improvement in the processes of APIs and improving the overall productions and productivity at the Unichem and all those and cost reductions and all those kind of things. And also to scale up their production. So you can witness that the total income in the current year and the first -- is almost growing 40% plus. And in this quarter also, overall top line has grown by around 43.6%. So their productivity definitely are improving now.

And as far as -- none of those activities are concerned -- its -- a lot of -- there is for everything there are time table and it takes a lot of time because regulatory filings and so many things are involved. So that process is going on. And even cost reduction process and everything is going on. It will take some time, but the improvements are seen in the results now for the Q3. They have achieved almost around INR38 crores kind of EBITDA number to 8.8%.

And the company, which was incurring losses has now shown some kind of PBT in the current quarter also, around -- almost around INR16 crores before the exceptional income. Also they are on right track, and we are confident that because the company will make profitable -- as we have discussed earlier.

**Kunal Dhamesha:** Sir, any quantitative number as to where their margins -- annual margins could end up in the next 2 years with all that we have in place now the entire plan that we have in place?

**Ajit Kumar Jain:** It all depends on how the journey is actually the -- taken up because there are many things where the regulatory approvals and all are required. Even if processes are changed, processes need to be again refiled, then after approval only they can be, let's say, commercialize and all those kind of things are there.

So giving quarter-wise numbers and all may not be right now feasible. But yes, what we have talked earlier that INR2,000 crores turnover and INR300 crores kind of 15% kind of EBITDA margin. That's very much achievable. We are very confident, every day after -- then we are looking into and seeing the progress, here we feel that we are on the right path here.

**Kunal Dhamesha:** Sure, sir. And the second one on the generic business, which has seen a lot of growth 33% year-on-year. Is there any one-off kind of component? How should we look at that business, let's say, next quarter and for the next year?

**Ajit Kumar Jain:** Generic business, if you look at in last 3 quarters on a continuous basis, that has done the similar kind of growth. And in fact, at the beginning of the year, we were looking at generic business may not grow that much because of -- we were looking -- we have lost certain kind of businesses in South Africa, but we are -- in South Africa, also we are growing and we were expecting almost around INR40 crores, INR50 crores kind of losses, but we are looking that, the South Africa business is also moving up in current year also. I think in first 9 months, it has grown by almost around 12%. So there are no decline.

Europe business is also going on very well. The Europe has seen good growth in last first 3 quarters in the current year. And overall, it's grown from INR240 crores to almost around INR371 crores, almost around 54% growth. There are a lot of products which are yet to be launched in UK. So that business will continue to have good growth.

Only concern is little bit on this Red Sea level and certain customers postponing some kind of shipment and all those kind of things, in the time frame is going to be normalized. And in time to come from first -- maybe in the first quarter of the next financial year -- some kind of US products with shipment and marketing will start. So overall generic business should -- say should be growing well for us in time to come.

**Kunal Dhamesha:** Sure, sir. And one more, with your permission. On the US products, can you provide incremental update as to where are we, for the sake that we might do some shipping, but what could be the potential upside on that shipping that will start in quarter 1? And then how are you looking at the number of products that will start shipping, starting from quarter 1 FY '25 to end of FY '25?

**Ajit Kumar Jain:** I think overall, what we have worked out that there are a lot of products where -- some kind of work needs to be done with reference to -- because in US, we are coming after a long number of years 2014 to now. So some kind of processes, the change of API and all those, there are some processes where the post approval are required, which has 6 months' time and some pre-approvals are required. So all those kind of things are there.

But I think, overall, looking at the -- we feel that almost around 8 products or 9 products can be launched in the next 12 months. That's what is visible. And thereafter, the -- whatever the process upgradations or somewhere, the site changes are there and all those things will take time. So -- over a period of 2 years, I think it's possible to launch around 16, 17 product kind of number.

So that's how -- its a journey now. There's a lot of revalidations and all those need to be taken and all. So it will take some time. It's not that everything can be done together. So it's over a period of time -- say, in current year, 7 to 8 products definitely can be launched. Yes.

**Moderator:** The next question is from the line of Damayanti Kerai from HSBC.

**Damayanti Kerai:** Sir, my first question is on branded market. So you obviously mentioned some regions which has impacted quarter during -- performance in the quarter. So how should we look at this business to say from next 2 to 3 quarters perspective?

**Ajit Kumar Jain:** Overall, see our expectation from this business from next financial year could be around 10% kind of growth. And current year, it may grow around by 8%, yes.

**Damayanti Kerai:** Okay. But some of the challenges which you mentioned, that remains in near term, right? And then maybe it will take some time for those 2 sectors.

**Ajit Kumar Jain:** Yes. Yes. But in spite of those difficulties, the business could grow around 10%.

**Damayanti Kerai:** 10%? Okay. And sir, you mentioned, say, like Red Sea situation, etcetera. But one of the commentary you also mentioned that freight costs are down -- freight costs have moderated year-on-year. But I think what we are hearing that logistic costs are going up, etcetera. So how should we look at your operating cost especially freight, et cera, again, from a near-term perspective?

**Ajit Kumar Jain:** That's -- for freight cost comment I have given only with reference to that last year, what kind of prevailing rates were there compared to that the rates are significantly lower. And that -- even if it's a little bit the logistic cost goes high, it may not have much of impact on overall profitability and all.

**Damayanti Kerai:** So you don't expect much impact from these higher freight costs, etcetera. Should we...

**Ajit Kumar Jain:** Only certain European customers are postponing the shipments. But now let's say, Houthi attacks has come down and things may normalize again. That's what -- yes. Yes. Last few days, we have not heard any kind of those attacks.

**Damayanti Kerai:** Okay, sir. And my last question is, can you provide an update on some of the new plant expansion, etcetera, which you're doing at Dewas, Nagpur, etcetera? And how soon these plants will start contributing to your numbers?

**Ajit Kumar Jain:** Dewas almost around 7 to 8 product commercialization work is going on. Some products are already filed with European authorities. One product approval has recently come. So it may take around 6 months' time for at least 5, 6 product to get approved. So thereafter, the -- your shipments -- your production -- regular shipments can start from Dewas plant.

**Damayanti Kerai:** Okay. And Nagpur?

**Ajit Kumar Jain:** Nagpur -- concerning Nagpur we have not done anything much on the site. We have just got the -- now consent to operate. So first one, intermediate, the planning is going on there, but that's for captive consumption. So nothing we laid on as far as the top line is concerned, it's only some kind of reduction in the cost and all will happen. Yes.

**Damayanti Kerai:** Okay. And sir, a clarification on the US business commentary which you already provided. So you're expecting that 16 to 17 products can be launched in next 2 years. So that will give you like a good footing in the US business given like your advantage on the cost expenses, etcetera, or you need to add on like more products to gradually come up in the US market in say, next 3 years?

**Ajit Kumar Jain:** We have almost around basket of around 40 products. So we are expecting good number of product approval to come. So this is from the current list I'm talking which is approved list. Yes. So it's basically the more number of product approvals will come and with that, even the more number of launches will also happen.

**Moderator:** The next question is from the line of Surya Patra from PhillipCapital.

**Surya Patra:** Yes. Sir, my first question is on the margin profile x of Unichem for this quarter. If I see that adjusting for the EBITDA margin what we had reported for or what we had indicated for Unichem in the previous quarter that was part of our number. And this quarter's reported number of Unichem, it looks like that the margin has -- for IPCA has seen a kind of meaningful correction sequentially from almost like 300 basis point kind of impact.

So what is this leading to? Is it the operating negative leverage that you're seeing out here because your export is seeing some kind of -- so if you can clarify what is that is driving the margin sequentially weak for our base business.

**Ajit Kumar Jain:** Let's say, overall, if you look at the -- as I talked earlier, that material cost to sales ratio has improved because more value additions are there. And that improvement is almost about 2.6% kind of improvement is there on material cost.

And prices are more or less 2.78% improvement. So -- and prices are also now stabilized. So there are not much of fluctuations on my procurement prices and all. And overall, more value-added businesses are happening on formulation side, and that's giving the better margins overall.

And as far as the personnel cost is concerned, that's growing around 12%, which includes around 7% to 8% kind of normal increments and since we added people in the field. So the personnel cost is written on higher side. But our -- overall, if you look at your manufacturing and other expenses side, there are hardly any increase. So compared to -- we have the overall operating income to other expenses, manufacturing -- other expenses, that -- there are also -- there is good amount of reductions is there because overall, that cost has not moved up.

**Surya Patra:**

Y-o-Y that is correct, sir, what you said. I'm just asking that sequentially it looks like near about 300 basis point kind of impact, IPCA's base business would have seen, if I adjust for the Unichem numbers. So what -- sequentially, what would be driving or dampening the margin, sir?

**Ajit Kumar Jain:**

The margin improvement will continue as -- let's say, that with the overall growth picking up, right now, say, in the current quarter growth was low. And from next year onwards, I think we should be continuously growing by around 10% to 12% kind of growth.

So at that level, the margin level will further improve by around 1.5%. And when we add the US business margins will -- because capacity utilizations will add. So that also will add to the margin over and above this normal margin. So we feel that overall EBITDA margins will definitely move by around 2% point plus kind of things. Yes, in next financial year.

**Surya Patra:**

Okay. Okay. Sir, with your permission, can I just ask about the Unichem also here. Because the margin performance for this quarter, what we see sir, here in Unichem is around 15%-plus or 15% around. So I think it is already reached to your guided level almost nearer to that. So is it fair to believe that the margin expansion, what you have been targeting with the initial kind of corrective measures. The full benefit of that flown in to Unichem and whether we have seen any of the benefit of integration for IPCA's base business?

**Ajit Kumar Jain:**

Let's say, margin there are driven by their overall increase in overall revenue. Let's say, they are growing by almost around 40% plus in the current year. In this quarter also, they have grown by around 43%. And improvements in business is there across, whether it's our US business, whether there its a Brazilian business, whether it is European business, except they have suffered on ROW market business, again, because Myanmar they had good business. So that is impacted and little of the Russia business is impacted.

So -- but -- and even the CRAMS business is also -- the contract manufacturing business has also done well. So overall -- let's say, the overall productivity there are improving and your overall top line growth has been good.

Now as far as margins are concerned in Q3, I think the EBITDA margin has been around 8.8%. So they were around 3%, 4% from there. They have come to 8.8%. It's not around 15% because there is some kind of exceptional income is there. So that you need to exclude. So I think Unichem in P&L account that has declared separately because that is on sale of this residual shares, which they had of Optimus which they have disposed of and almost around INR68 crores kind of surplus has come. So that has been shown as exceptional income.



So overall margin has not reached to what level and what kind of improvement, which we are looking in Unichem, they will take time because processes when they are corrected, they need to be filed with the regulator, then -- after that, based on that, you need to do the -- take approval.

After regulatory approval, you take the -- again, the formulation basis put them on stability after you put the stability, then again, file with regulator, take their approval. And then those revised processes become effective in your formulation. So it's a journey, it cannot happen in over a period of 3 to 6 months time. It take a long time. So maybe 1 year, 1.5 years and all those kind of things.

So I would say that those kind of improvements will come in time to come. Currently, sir, the margin improvements are because in Q3 '22, '23 they had negative margins of around 14.1%. EBITDA was that kind of negative margin. So they were in losses almost I think third quarter last financial year, they had almost around INR60 crores kind of losses was there.

From there, they have come to the profit and margins have started improving. So we are -- what we are seeing is only the improvement in operations, little bit on overhead side, little on cost side, improvement in productivity side and improvement in business. That has resulted in some margin. Yes.

**Surya Patra:** Okay. Sure, sir. Sir, My next question...

**Ajit Kumar Jain:** And that journey will continue -- that journey will continue.

**Surya Patra:** Sure, sir. My next question is on the US business front. So you mentioned that some sort of supply commencement to US can start-- starting first quarter for FY '25. But knowing the fact that the activation of the dossiers could take a longer time, even the process has to be updated. So this -- the procedural aspect itself will take around 12 month or so. So then on what basis that we are saying the few of the...

**Ajit Kumar Jain:** Sir, we have been working almost around 7 products, we need not to do much. So that's our updated dossiers are there. So these 7 products can -- see, currently, I have 21 approval. Out of 7 products can go. So that -- in a closed manner these products will be launched. But initially, I think 2 or 3 products -- production is already going on. So there would be somewhere in the first quarter of the current year. And the launches -- market launch will happen in the first quarter of current year. The shipment from here may take early part of the first quarter of next financial year.

And the other products are -- there are somewhere there are site changes are there, somewhere there are post approval are there, somewhere pre-approvals are there. Somewhere the new processes need to be incorporated. And all those works are there. Plus, we expect we have almost around a good number of more than 20 more filings which are there, where everything is -- most of the -- lot of review has already happened and -- in a phased manner, those approvals can come. So based on that, I'm telling that around 15 to 17 products can be launched over a period of 2 years' time.

**Surya Patra:** Okay. Okay. Just last one question, sir, from my side. So far as the domestic formulation performance going ahead is concerned, let's say, FY '25. Obviously, we have seen a double-digit growth better than the industry growth, IPM growth in the current financial year so far.

Sir, knowing the fact that around slightly more than 20% of our portfolio possibility is part of Elenium-based and the limited scope of a price taking price rise there and the volume growth trend, what we are seeing currently. So is it possible to continue double-digit kind of growth for next year as well?

**Ajit Kumar Jain:** Let's say, Elenium did not impact much in current year also because there was a good amount of price rise was there on Elenium, but similar kind of reduction was there few months back because of readjustment of prices, and reappraising and all. So on Elenium product, in fact, there is hardly any advantage or even if there is advantage, it's only 1%, 2%. So there was hardly any. Much of the advantage was not there.

So -- and what we have seen in current year is that your acute portfolio growth in the market is low. So it's a very exceptional year. So -- and acute side, the growth should pick up in next financial year. And on the chronic side, market has started reporting double-digit growth now. So overall, we see that from 11% to 12% growth -- what current level we have, it should be possible to increase the overall growth to around 13%, 14% in domestic market.

**Moderator:** The next question is from the line of Ajay from [\[Wealthify 0:29:01\]](#).

**Ajay:** Yes, sir. So sir, I have a question about our group companies. Since none of our group companies are doing any con calls or giving any guidance. And if you say the top lines and bottom line from last few quarters are almost stagnant and also into losses. So can you please provide any update around our subsidiary performance like of Krebs and Lyka and Makers Laboratories.

**Ajit Kumar Jain:** Makers has nothing to do with IPCA. IPCA doesn't have any kind of holding in Makers. It's an independent company. Then as far as Lyka is concerned, their business growth is good. They have -- overall, they would be doing better, I think, overall. Their plant is under shut down a little bit because of upgradations and all. So that is also getting completed -- your whole renovation part is going to complete in first quarter of the current year and thereafter, validations and filings of dossiers and all will happen in the developed market and all. So that journey is going very well.

In spite of all those kind of things, they have performed reasonably well. And they also had almost around 100 people in current year to do the direct marketing of their -- injectables in the market. And that business has also now -- they're giving good results to them now. And in fact, they can add more number of people in next financial year. So overall, we are seeing a good journey for as far as Lyka is concerned.

As far as Unichem is concerned from losses, they have started now performing, and we have already said that -- it's possible to achieve almost around INR2,000 crores turnover there. And

significant improvement in the EBITDA margin from current level. So these are the listed companies.

As far as Krebs is concerned, there are good improvement there. The losses are reducing now and some more products validations and all are going on there. Some products on intermediate side are getting approved in our dossier. So once that happens, their volume will also pick up. So we are seeing good improvement in Krebs also. But it will take time. It's not -- till the time those approval comes, even though you have validated process, you can't use those kind of intermediate and use those capacities and all.

So those issues are there. But overall, let's say, there are overall improvement in all operations. Onyx is giving good returns, good profitability there. We are the -- Trophic Wellness has done good business on selling the nutraceuticals and their business is also in good profitability overall. So there are -- except let's say, somewhere, I think the Bayshore which is a setup which was set up for marketing of IPCA product. So now that setup is no longer required because Unichem will be doing the marketing because that's a much bigger setup.

So Bayshore will, overall, maybe -- that business will get overall merge with the Unichem business and also their team synchronizations and all that work is going on. And certain costs will there also will come down. So overall, there are much of -- not much of concerns in that -- associated subsidiary kind of business.

**Moderator:** The next question is from the line of Ashish from JM Mutual Funds.

**Ashish:** Yes. Sir, on this API thing, since you have the Dewas facility also coming, but globally, there's some price pressure on the APIs we have heard from some of the channel checks. In terms of our realization, like what products we might have selected for -- from Dewas versus then and versus now, how are the product prices behaved?

**Ajit Kumar Jain:** As far as Dewas products are concerned, it's only the products are getting transferred from Ratlam and Ratlam, we are creating the surpluses capacity so that the products which are required for captive consumption for our US business that can be accommodated. So it's not a newer kind of products to be launched and newer products are maybe few. It's more of a site transfer from Ratlam to Dewas and those kind of products are there.

And there are -- the price stability is there on those kind of products, except sartans where we have seen significant kind of price reduction. But otherwise, the prices have stabilized now. There are not much concern on as far as the prices of API is concerned currently. From these levels, they are not going down.

**Ashish:** Yes. Fair enough. Sir, secondly, on the US, since we are in the process of starting up the business. So prior to the 2013, '14 level, we used to do around \$30 million to \$40 million in the US business. And there was this one product, Toprol, which is metoprolol. So all those engagements like used to supply Toprol to AstraZeneca and some other players, I guess. So all those engagements will restart or you feel you will have to make a fresh start?

**Ajit Kumar Jain:** Let's say, tactically all those kind of businesses because -- has completely come -- US related there is no shipment of API to any formulators for US in last 10 years. So we have restarted all those kind of talk that wherever is possible to get those kind of business once again. But it's a time-consuming thing again because lot of places, our process has also changed. So we need to update those kind of parties with revised sampling. And then the approvals and all those things are there.

So API business will be a little slower to start with for US But the API for captive consumptions will come from Ratlam. So Ratlam capacity which is getting freed by shifting of products to Dewas will be utilized for the purpose of our captive consumption more. And the -- and API business, if you look at -- now from next financial year, we should be able to grow around 10% to 12% year-on-year.

**Ashish:** Okay. Fair enough. Sir, lastly, on this Unichem, so in terms of liking operational changes like putting our processes, going for the yield improvement. So where are we in the overall scheme of things? Have we achieved enough kind of success in what we were planning to do with Unichem?

**Ajit Kumar Jain:** If you look at their results of the third quarter and all, they have significantly improved because they were in losses. And now they have come in overall and margins has also started improving from minus 14% in Q3 last year, it is now 8.8% kind of margin.

So the operations has started improving, their productivity have started coming. Their sales are growing by more than 40% in current year. And that is also resulting -- businesses are also improving in various markets like US, Brazil, Europe. everywhere, we are seeing some kind of business improvements are there.

And they have Goa two their plants, the validation of processes are going on for the bigger products so that they have much larger capacity, but the bigger basis they can produce. So with that, there could be a further improvement in their overall operation.

As far as process changes and all those are -- it's a journey. It takes time. That's -- work is happening everywhere on market extension, process improvements and all those kind of things. But your pharma industry being regulated, everything need a regulatory approval. Once you do a process, again, go to regulators, file with them, wait for their approvals. Then give the APIs or intermediates to the other formulators, all that. And then they need to again do -- their processes and generate stability, file -- give those data to regulator.

And thereafter, the fructification happen. Here, most of those improvements are not for sale. It's more for the captive consumption. So that journey will have to have, and it will take time. It's a maybe 1-, 1.5-year journey. But I would say that, yes, the journey is happening as we have envisaged. There could be some delay here and there, but journey is happening as we have envisaged.

**Ashish:** Just lastly, sir. So 2 years down the line, could this be a 15%, 20% EBITDA margin business? Is that number achievable for Unichem?

- Ajit Kumar Jain:** We have guided for 15% kind of EBITDA margin.
- Moderator:** The next question is from the line of Shiva from Purnartha Investment Advisors.
- Shiva:** My first question is with respect to the guidance. I mean if I see our international business, earlier, you said it was -- you were expecting a 12% growth but now you just said that 8% is what you're expecting in your Q3. Just wanted to understand for the different subsectors, what are the guidance? Are you holding in? Or is there any change?
- Harish Kamath:** As Mr. Jain has said, generic business will continue to grow. There will be some slowness in the API business for the time being and to some extent, in the ROW branded business. The growth has been lower than what we gave projection in the beginning of the year.
- Shiva:** So API, you are lowering and international branded you're lowering. The others are sticking directly...
- Harish Kamath:** Right. And both these business should give reasonable growth in the next financial year. That is what our guidance is. So from this period on the API business should stabilize and grow going forward.
- Shiva:** Understood. Helpful. And the other thing I just wanted to know, obviously, the generic business, Unichem's also business is growing very strong. Just wanted -- if you could just add some kind of what are the other reasons behind this sudden surge in demand? Because at the start, you only said that at the start of the year, the generic, you were expecting a single digit, but now it is upwards of 25%, 30%. So wanted to understand what changed in this high end? And going ahead, is it a one-off? Or is it more structural?
- Harish Kamath:** No, no. Lot of operational changes are also made in the bargain. So their productivity has improved. Their production capacity has also improved substantially, and that has given them benefit in US business. And they are also commercializing few of the new formulation for which, in the past, they have received approval.
- And few more new products will also get commercialized in the next financial year. So they also have a basket of products to be commercialized. So all that is giving benefit. And in few products, maybe because of shortage in the market also, some benefit would have come to them.
- Shiva:** Okay. And with respect to your generic, is it more -- because of any shortages or is it...
- Harish Kamath:** They're only into generic business. Nothing else.
- Shiva:** Your generic business also saw a very...
- Harish Kamath:** No. My generic business, what has happened? The UK business is growing very nicely. In fact, in first 9 months, the growth has been about 100%. European generic business has done very well. South Africa, we were looking for some degrowth, but that has also grown. So generic business, we don't see any concern as far as growth is concerned.

- Shiva:** I just wanted to know, like the next 1 year, you're looking at a very strong growth, like the runway of this? Or is it -- this year has been a one-off, etcetera?
- Harish Kamath:** On a conservative basis, we can guide anywhere. between 12% to 15% growth going forward for generic business. Over and above that, whatever business will come out of US will be add on.
- Shiva:** Understood. Helpful. And just one small question. I wanted to understand your MR productivity. So we've seen the last quarter that there was an improvement. So if you could just get -- update the MR productivity? And what is the current strength and the plan for any additions going ahead?
- Ajit Kumar Jain:** Overall, MR productivity is around 4,25,000 currently. We are almost around infilled around 7,000 medical reps as of now. We will be adding certain number of people in current year. That process is going on. But additional will be not more than 5% increase in overall field force size.
- Shiva:** Okay. So last quarter, it was slightly higher, right? It was I think 4,60,000 was -- 4,63,000, MR?
- Harish Kamath:** Wait. Second quarter is always more productive. Because of seasonality issues and all. And this quarter, because of season not being that conducive, sales are also a little bit lower than what we expected. If not nothing, nothing abnormal. Second quarter is always the best quarter in the domestic branded business.
- Ajit Kumar Jain:** On per man side, I think we have added almost around INR20,000 productivity per man in current year.
- Shiva:** Understood. And just there's some notification from the government with respect to the medical professionals kind of antiviral or anything they should be slightly on a conservative basis. Did you feel anything on the ground or is it more just a statement from the government.
- Harish Kamath:** Pardon. We didn't make out what was your question actually.
- Shiva:** There were some rules that the government officials have told the medical representatives to be slightly on a conservative basis in prescribing pain or anything with respect to the acute basis. So in that...
- Harish Kamath:** We have not seen any impact, anything like that in the market place. No.
- Moderator:** The next question is from the line of Rashmi Shetty from Dolat Capital.
- Rashmi Shetty:** Sir, for the products, which you mentioned, 16 to 7 launches, which we will be doing in the US business. That will be through Unichem. I mean, the sales will be the part of Unichem or -- and will that be included in subsidiary or it will be part of generic business?

- Harish Kamath:** Rashmi, earlier what was happening, I was manufacturing, and I was selling it to my marketing partner, right? We had 2, 3 marketing partners in the US. So on profit sharing basis. Now what will happen, we will manufacture and sell to Unichem US. So sales will get booked in my books also and in their books also. In any case, their books will get consolidated ultimately with my books. So there is no change because manufacturing IPCA will do -- only they will do selling and distribution there.
- Rashmi Shetty:** Marketing. Understood.
- Harish Kamath:** That is correct. Right.
- Rashmi Shetty:** Okay. That is one thing. And secondly, on the India business, if you can give little bit color on how your pain segment has performed during the quarter, even Zerodol, if you can tell us about the performance.
- Ajit Kumar Jain:** Overall, pain portfolio in current year has grown by around 12%. This quarter, pain segment growth is a little lower at around 8% to 9% kind of thing. But overall, let's say, therapeutic-wise on cardiovascular in current year, we have grown by around 13%. And the antibacterial growth is low at around 3%, CMS around 20%, Derma on 19%, urology around 24%, ophthalmology around 17% kind of growth. And others maybe around 8%, 9%. So overall, that's broadly the -- here numbers -- in various therapeutical performance -- area performances..
- Rashmi Shetty:** And your product Zerodol is still contributing significantly and it is growing double digit?
- Ajit Kumar Jain:** Current year, Zerodol growth is around, say, around 8% to 9%.
- Rashmi Shetty:** Okay. At the -- in the range of 8%, 9%. Understood. And one more question on this Unichem consolidation. How much would be the amortization that would be recognized due to this acquisition? Annual amortization?
- Harish Kamath:** Rashmi, it is an investment. There is no amortization. Earlier, what was happening, all acquisition costs used to get capitalized. Now all acquisition cost gets debited to P&L. That is why that INR40 crores deficit has come in the second quarter. Otherwise, all is investment. So we purchase share and give considerations. So there is nothing to be amortized over a period of time.
- Moderator:** The next question is from the line of Mukherjee Saion from Nomura.
- Saion Mukherjee:** Sir, just one Unichem, your guidance of INR2,000 crores and a 15% EBITDA margin, INR300 crores EBITDA. What's the time line for that you're looking at?
- Harish Kamath:** FY '26.
- Saion Mukherjee:** And sir, with the process changes and market extensions, which is probably slightly longer term, how should we think about growth in margins for Unichem from a slightly longer-term perspective?

- Harish Kamath:** Saion as far as this market expansion and change in sourcing, it's a regulatory business, and it will take time. So the margin expansion will continue over a period of time. But immediate near future, whatever we can do, that is what guidance we have given over next 2 years.
- Saion Mukherjee:** Okay. And sir, any assessment on the US revenues for the next 2 years with 15, 17 products that you would be launching in the market?
- Harish Kamath:** It is too early to give any guidance. See, nobody is waiting for your product. Even though I have cost competency, I will have to again relaunch product one by one and go on taking market share. There are only 3, 4 customers who matter in this business, you know very well.
- And they are already sourcing those products from a third party. It will take some time, but we are confident because of our processes in the API. And our cost competency, we will certainly do well in the US market vis-a-vis our formulations going forward.
- Saion Mukherjee:** Okay. And sir, when you mentioned 13%, 14% kind of a growth in India, what's the -- your assessment on how much is price and volume mix in this growth expectations?
- Harish Kamath:** It will be around 4%, 5% price increase and the rest are all volume. This year, the growth has been little lower because of the seasonality and all, it is slightly below our expectation. Otherwise, compared to market, we continue to do well. There is no issue.
- Moderator:** As there are no further questions from participants, I would now like to hand the conference over to the management for closing comments.
- Harish Kamath:** No, nothing. Most of the issues. We have already discussed. All questions are answered. There is nothing further to add. Thank you very much.
- Moderator:** Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.
- Harish Kamath:** Thank you, everyone. Thank you. Bye.