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February 10, 2025

National Stock Exchange of India Limited  
Exchange Plaza, 5<sup>th</sup> Floor, Plot No. C/1,  
G-Block, Bandra Kurla Complex,  
Bandra (E), Mumbai – 400051.

**Stock Symbol: JBCHEPHARM**

Dear Sir,

**Subject: Transcript of Investors/Analysts call**

**Ref.: Disclosure under regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Pursuant to Regulation 30 read with Schedule III and Regulation 46(2)(oa) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed please find Transcript of Conference Call which was scheduled for Investors and Analysts on February 5, 2025 at 12.00 noon IST in relation to results and developments for the third quarter ended on December 31, 2024. The same will also be available on the website of the Company [www.jbpharma.com](http://www.jbpharma.com).

We request you to take this on record.

Thanking you,

Yours faithfully,

**For J.B. Chemicals & Pharmaceuticals Limited**

**Sandeep Phadnis**  
**Vice President – Secretarial**  
**& Company Secretary**

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**JB Chemicals & Pharmaceuticals Limited**  
Q3 FY25 Earnings Conference Call Transcript  
February 05, 2025

This transcript is published as is what we have received from our vendor who manages the conference call. We would request you to go through the audio recording in case you want to reconfirm anything that has been mentioned in the transcript

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**Moderator:** Ladies and gentlemen, good day and welcome to JB Pharma's Q3 FY '25 Earnings Conference Call as on the 5th of February 2025.

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 "\*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jason D'Souza - Executive Vice President at JB Pharma. Thank you, and over to you.

**Jason D'souza:** Thank you, moderator. Welcome to the Earnings Call of JB Pharma.

We have with us today Nikhil Chopra - CEO and Whole-Time Director; Kunal Khanna – President, Operations and Narayan Saraf - the CFO at JB Chemicals & Pharmaceuticals Limited.

Before we begin, I would like to state that some of the statements in today's discussions may be forward-looking in nature and may involve certain risks and



uncertainties. A detailed statement in this regard is available in the Q3 FY '25 "Results Presentation" that has been sent to you earlier.

I would like to hand the floor to Mr. Nikhil Chopra to begin the proceedings of the call and for his "Opening Remarks".

**Nikhil Chopra:**

Thank you, Jason. And a very warm welcome to all of you. Thank you all for being with us.

I will commence with my thoughts on our "Quarter 3 Performance":

I would like to start by saying that JB continues to deliver strong profitable growth. The Quarter 3 FY '25 performance is a reflection of this statement. While top line has grown by 14% to revenue of 963 crore, operating EBITDA has grown at 15% to 270 crore and net profit has surged to 162 crore, growing at 22%.

This performance has been enabled by our mix of businesses and markets, specifically our focus on India branded formulations, CDMO and some selected international markets.

We have maintained the run rate of quarterly performance with revenue of 963 crore. This was due to strong momentum in domestic business and improved traction for our CDMO businesses. Whereas we held on our gross margin at 67% in the quarter, our operating EBITDA saw improvement in margins to 28.1%.

Over the past couple of years, we have expanded the basket of our key brands. We are consistently enhancing share of our chronic within the mix and rank far ahead of IPM in category growth for our chronic at 24% versus 11% of IPM as per MAT. CAGR December 2020 to December 2024.

I will share some "Perspectives and Thoughts" on our domestic business:

Our domestic business grew by 22% to INR 566 crore year-on-year. The business accounted for the majority revenue during 9-month at 60% versus 55% in 9-month for FY '24. So today, domestic business contributes 60% to the overall revenue for JB.

We are one of the fastest growing companies in the market and have delivered year-on-year 12% growth versus IPM growth of 8%. Each of our major brands, namely Cilacar, Cilacar-T, Nicardia and Sporlac have gained ranks as per IQVIA MAT December 2024.

Excluding ophthalmology portfolio, the domestic business grew at 12% for Quarter 3 FY '25. Excluding ophthalmology portfolio, the volume growth for domestic business was 7% for Quarter 3, '25, and 6% for 9-month FY '25. The ophthalmology portfolio sales is progressively well depicting consistent growth every quarter. We now have a dedicated field force of 120 people deployed to promote the brands that we have in that sense.

It is interesting to know that 65 of our overall domestic business is now a part of the progressive portfolio, which is growing faster than IPM. Around four years back, the progressive portfolio was only 35% to the overall domestic business. So, 35% has



become 65%, which is progressive portfolio that we are placed in, which is growing better than the Indian Pharma Market. This is a marked change and will enable the domestic business to grow consistently over the next few years.

In December 2020, we had only 6 brands greater than 25 crore in the revenue. I am glad to share that in December 2024, we have 25 brands which have a revenue more than 25 crore, out of which five are in the top 150 in the country.

Moving on to our "International Operations" now. During Quarter 3:

We reported a 4% improvement in growth to 397 crore with our CDMO business leading the segment with 33% growth to INR of 118 crore. The underlying growth momentum remains strong and is backed up by a strong order position. International formulations were impacted due to revenues decline in U.S., Russia, whereas South Africa and branded generic business showed growth.

In terms of the "Outlook":

Although we have emphasis on growth, there is a strong focus on profitable growth. JB is now well positioned to deliver continued growth. The strategy and the levers are well defined. And we have a strong team that will execute the plan that we have put in place.

Our India business continues to drive market-beating growth led by chronic business and progressive portfolio within the acute segment.

Our export business continues to be steady with sequential improvement witness in our CDMO businesses. Advancement of various new projects in our CDMO business will flow through into growth numbers in near to medium term. And we have a good pipeline of future product commercialization opportunities in the international business which will deliver sustainable value creation for the company.

I would now like to conclude my remarks and request our CFO, Mr. Narayan, to share his views. And over to you, Narayan.

**Narayan Saraf:**

Thank you, Nikhil. And very good afternoon to everyone. Welcome to our earnings call.

Let me walk you through the key "Financial Highlights" for Quarter 3, FY '25:

For the quarter, we reported revenue of 963 crore, reflecting a year-over-year increase of 14%. The revenue mix between domestic and international markets was 60% and 40% respectively.

Our domestic business contributed 566 crore showing a growth of 22% year-on-year. Excluding the ophthalmology portfolio domestic revenue grew by 12% compared to the same period last year. According to IQVIA MAT, December 24th data, within the IPM, the company posted a growth of 12%, surpassing the overall IPM growth rate of 8%.



Meanwhile, our international business delivered modest growth of 4% year-on-year with revenues reaching Rs. 397 crore. The gross profit margin for Q3 stood at 67.1% as compared to 67.6% in Q3 FY '24. Excluding the ophthalmology portfolio, the gross margins improved in Q3 by 160 basis points as well as at YTT level. This was driven by our cost optimization initiatives, a favorable product mix, and pricing growth.

Operating EBITDA, excluding ESOP expenses, was Rs. 270 crore, marking a 15% year-on-year increase. The operating margin for Quarter 3 FY '25 improved to 28.1%.

On the expense front, other expenditure as a percentage to sales improved to 22.7% versus 23.2% in Q3 FY '24.

We continue to be agile in driving efficiency in our processes and spends, resulting in better management of costs. MTM Forex impact of Rs. 4 crore was recorded in Quarter 3, primarily due to depreciation in ruble currency.

Finance costs saw a significant reduction from Rs. 12 crore in Quarter 3 FY '24 to Rs. 3 crore, primarily due to the reduction in the gross debt. Depreciation remains the same as the previous quarter at Rs. 42 crore. As of 30th December '24, our gross debt stood at 54 crore and net cash was at Rs. 516 crore.

We aim to deliver operating margins between 26 and 28% despite inflationary pressures and external market's uncertainty. We remain confident about the positive outlook for the business and our ability to deliver value to our stakeholders.

With that, I conclude my opening remarks. I would now like to request the moderator to open the floor for the question-and-answer session. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "\*" and "1" on the touchstone telephone. If you wish to remove yourself from the question queue, you may press "\*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take our first question from the line of Rashmi Shetty from Dolat Capital. Please go ahead.

**Rashmi Shetty:** Yes, thanks for the opportunity. Just on the ESOP side, we have already done around 41-42 crore in 9 months. How much are we guiding for Quarter 4 or the entire FY '25? And what will be this number in FY '26 and FY '27?

**Narayan Saraf:** Yes. Thank you, Rashmi. So, in Quarter 4, we expect another ESOP cost of 16 crore. So, at the full year level, we are looking at around 56 crore kind of ESOP cost for FY '25. In FY '26, we are looking at around 40 crore. And in FY '27, it would be around 24 crore.

**Rashmi Shetty:** 24 crore. Okay. Just on the export side, you know, earlier we had given that export international formulation will be able to do double-digit growth, you know, because second half would be better. But I understand that you faced some challenges in Russia because of the currency volatility. What was the Russia constant currency growth and what challenges have you faced in the U.S. business?



**Narayan Saraf:** So, Russia, we saw challenges in the growth on two sides. One is currency and the second would be a muted season in the month of November and December. And if I look at the constant growth, it is around minus 5% versus minus 8%.

**Rashmi Shetty:** Okay. And the muted season, you mean to say the flu season, right?

**Narayan Saraf:** Yes.

**Kunal Khanna:** So basically, Russia for us, cough and cold season is, you know, spans out somewhere around November to Jan, Feb. November and December were slightly muted. Having said that, the first six months of Russia, we have done phenomenally well, both in terms of revenue and profitability. So, it's just a minor seasonal impact and some impact of currency volatility. Nothing apart from that structurally changes for us.

**Rashmi Shetty:** Okay, and related to the U.S. business?

**Kunal Khanna:** U.S., you know, we are inching back. If we look at the current order book situation also, we remain fairly confident of closing the year, you know, on a high. And right now that's what we can comment on. The first six months were slightly soft, but otherwise things will be back on track.

**Rashmi Shetty:** Okay, and so any guidance change, you know, for the export business or you still think that, you know, we would be able to do double digit assuming Quarter 4 to be strong?

**Kunal Khanna:** Well, surely Quarter 4 is going to be strong, and we will witness a double-digit growth in Quarter 4. We are extremely confident of that and from a mid and long-term perspective also, we will be closer to high single-digit and double-digit growth as we have already said.

**Rashmi Shetty:** Understood. And just one last question on the domestic piece. Excluding, you know, Ophthal portfolio, we are growing in the range of 12%. Now, the inorganic portfolio has also becoming a sizeable portion and the progressive portfolio has also increased, which is doing pretty well. So, organic, we are doing around 11 to 12% sort of growth, but with this portfolio adding up for next two years, do we think that, you know, we would come back to around 13, 14% sort of growth in the entire domestic blended portfolio?

**Nikhil Chopra:** Yes. So, Rashmi, Nikhil Chopra here. So, what I shared earlier also in my commentary for organic growth is 12% backed up by volume growth of 6 to 7%. So, you should see us growing at mid-teens in India business backed up by strong volume growth.

**Rashmi Shetty:** Okay, this you are talking about the entire blended portfolio, right?

**Nikhil Chopra:** No, because Quarter 4 onwards, the base of ophthalmology will also come in.

**Rashmi Shetty:** Will also come in.

**Nikhil Chopra:** Yes.



**Rashmi Shetty:** Okay, thank you so much.

**Moderator:** Thank you. Before we take the next question, we would like to remind participants to press "\*" and "1" to ask a question. Next question is from the line of Tausif from BNP Paribas Exane Research. Please go ahead.

**Tausif:** Thanks for the opportunity, and congrats on a good set of numbers. My first question on your Ophthal portfolio, while you have already shared the revenue run rate for this business, can you share some more insight, like what has been the volume growth and what are the strategies you have implemented post integration?

**Kunal Khanna:** If you really look at our Ophthal portfolio and a reflection of Quarter 3 also, the market has grown at close to 9%, whereas our business and portfolio is showing a strong growth of 28% plus. It's largely being driven by our focus on creating more demand for the set of products we have.

During the integration process also, we maintained our focus was on expanding the coverage of ophthalmologists. As a result of which, we had added more reps on the ground also. Close to 65 to 70 members, that ramp up happened. We had close to 105 to 110 field members working on the ground.

The ophthalmologist coverage increased from 7,000 to currently what we are training at 14 to 15,000. Plus, what we saw over the last two months was addition of a new product as well, which over the next 6 to 8 months, you will see that every quarter, we will be adding one or two SKUs.

So, our focus on creating more secondary demand generation, where we have seen almost a 15 to 20% increase uptake in terms of prescription and the units sold in the secondary market. And this being a very, very strong platform for new launches also happening is giving us good results. And we remain extremely confident about how this business is going to shape up for us in the mid and long term.

**Tausif:** So, I guess it's fair to assume large part of growth has been volume driven.

**Kunal Khanna:** Yes, it's a reflection of, you know, not only our Ophthal but even our overall India business and even Ophthal is absolutely volume driven. See, because beyond a certain point, there is no real opportunity for us to take price growth beyond 7 to 8%, right? So, it's volume driven.

**Tausif:** Okay. My second question is, can you share the revenue contribution from your top flagship products, excluding the line extension launch we have done in recent years compared to FY '20?

**Kunal Khanna:** Could you repeat that? Sorry.

**Tausif:** Can you share the revenue contribution from top 4 to 5 flagship products currently?

**Kunal Khanna:** From 4 to 5 flagship products?

**Tausif:** In the domestic market.



**Kunal Khanna:** In the domestic market, 5 flagship products are currently contributing close to 60-65% of our overall India business.

**Tausif:** Okay, and compared to FY '20 could be lower.

**Kunal Khanna:** Absolutely, in FY '20, the top 5 to 6 products were contributing more than 75%, and this is exactly the result of new launches, some of the acquisitions which we have made and the fact that Nikhil mentioned that, you know, in his commentary as well, that in FY '20, there were only close to 6 brands which were more than 25 crore, but now we have a sizeable basket and a good progressive portfolio. which is more than 25 crore. And over the next two to three years they'll be set of 10 to 12 brands which will be inching closer towards 50 crore run rate.

**Tausif:** Just last question on CDMO business, do you expect this current quarter run rate to continue for this fourth quarter?

**Nikhil Chopra:** So, this is what I think if you recollect what we have been commenting on CDMO business, first half of the year was not great. Some orders we had to shift in Quarter 3. So, 32% growth is not the growth that we have been projecting. But Quarter 4 also will be good as we have a strong order book, and you should see this business going at mid-teens short to medium term.

**Tausif:** Thanks.

**Moderator:** Ladies and gentlemen, to ask a question, please press "\*" and "1" on your phone. Next question is from the line of Abdulkader Puranwala from ICICI Securities. Please go ahead.

**A. Puranwala:** Hi, sir. Thank you for the opportunity. So, first on the CDMO business, so last quarter we have talked about some kind of a spillover to happen in Q3. So, is that completely happening or in Q4 also you will see some benefit of that?

**Nikhil Chopra:** So Q3 it has completely happened and Q4 will be on its own. But we earlier also had commented that you will see good traction in Q3 and Q4. So, Q4 we have a good order book. And just to also share with you on the world of CDMO, if you see the next horizon of 18 to 24 months. There is good visibility of 4 to 5 big global projects which are kicking in. And all the development work is on for all these projects, maybe newer formulations, newer geographies that we have been speaking and at the right time, we will be able to share more light on them. So, we are very bullish on this entire world of CDMO, which we have been talking in our commentary in the past.

**A. Puranwala:** Understood. And sir, secondly on the India business, so I know if you have to classify your India portfolio into three buckets, one is your legacy portfolio and second, you know, whatever you have acquired between 22-24 excluding the Ophthal brands and last is the Ophthal which is, you know, you have given a segregation of that, but within your legacy set of brands and the ones which you have acquired, I mean, if you could provide some color on how the growth has been in the first nine months would be very helpful.

**Nikhil Chopra:** So, what I give the commentary today, 65% of the portfolio. Is growing better than IPM, is progressive in nature. So, whether it is within the cardiology space, whether it



is hypertension, heart failure, lipids, our pediatric portfolio, probiotic portfolio Metrogl has shown good growth this year.

Fortunately, we had a very good season. So, that portfolio continues to grow at around close to 12% plus, which is much, 400 bps higher than the Indian Pharma Market growth. And out of that portfolio, what was shared earlier, there are around 25 brands which are more than 25 crore. So, that shows overall the momentum that we have built up over the last four years in terms of whether you talk about four or five big brands or what we have acquired or what was shared also about the ophthalmology portfolio backed up by solid volume growth, which we have seen over the last six months.

Because fundamentally, we have worked in terms of improving our coverage, whether it is in the world of probiotics, whether it is in the world of ophthalmology, whether what we are doing with the cardiologists and physician for our Razel and Azmarda brands, these are all acquired, and equally for our big organic brand, that is Cilacar. So, 65% of portfolio is growing better than the Indian Pharma Market, which overall tells about the strength which we have built over a period of time.

**A. Puranwala:** Got it, sir. That's helpful. Just a final one on a bookkeeping question. Sir, for this quarter, because of currency headwinds in Russia, have you booked any kind of Forex loss or Forex gain, if at all, in other geographies?

**Narayan Saraf:** So, like I mentioned, the majority of the MTM loss of 4 crore that we hit in this quarter came because of the depletion of the ruble.

**A. Puranwala:** Okay. 4 crore. And that would be in the other expenses?

**Narayan Saraf:** Yes.

**A. Puranwala:** Got it.

**Narayan Saraf:** And it's a non-cash charge. So, it was also then to that extent our EBITDA would have been better by 4 crore and cash would have been better by 4 crore.

**A. Puranwala:** Got it. Thank you.

**Moderator:** Thank you. We will take our next question from the line of Girish Bakhru from OrbiMed. Please go ahead.

**Girish Bakhru:** Yes, hi. Thanks for taking my question. Nikhil sir, just kind of a couple of questions on Cilacar. I mean, growth has been very impressive. If I look at the market, I mean, plain Cilnidipine is still growing much faster if you compare with the other molecules like Amlodipine. And we know this is partly because you keep saying it has a very strong renal protective effect. And where do you see this market growth slowing down for you in Cilnidipine and combinations as well?

**Nikhil Chopra:** Where do I see market growth slowing down?

**Girish Bakhru:** Regional maturation growth number for the franchise?



**Nikhil Chopra:** So, we see huge opportunities in the world of what we are trying to do with the work in the world of hypertension, be it Cilacar, be it Niacardia. Basically what we are trying to do is not only target to talk about in doctor's clinic for the world of hypertension, but also we are trying to talk, trying to look at what we can do more in the world of hypertension with comorbidities. That is helping us in terms of the enrichment of the discussion that our medical reps are having with the medical fraternity.

And we have got a full portfolio, which is what we spoke earlier also in your question that being a renal protective drug, plain Cilnidipine, combination of Cilnidipine plus Metoprolol gives us protection from angina. Combination of Cilnidipine with Azmarda gives us protection from heart failure. Combination of Cilnidipine with Razel gives us protection from high lipid levels. Combination of Cilnidipine with Telmisartan gives us protection from metabolic.

So, we have a whole range of portfolio and equally for uncontrolled hypertension, resistant hypertension we have Niacardia, Niacardia XL. So, whole gamut of portfolio we have got, and this is not only that we are going and talking in the clinic and generating value, but overall the objective is how to reduce the burden of disease for the patients who are suffering from hypertension and comorbidities. So, that is the task that we have taken. That is why you see the entire differential that we as a company bring on the table as compared to other companies.

**Girish Bakhru:** That's helpful. So, if I elaborate on this, because, say, plain Cilnidipine is better than Amlodipine, so in all the combinations, Cilnidipine combinations should ideally surpass Amlodipine combinations. Is that the right inference to draw? Like, if I look at the Amlodipine, Telmisartan market, that's probably about 1,000 crore market. Should Cilacar-T become a 1,000 crore product?

**Kunal Khanna:** Girish, that is certainly the endeavor, just to give you some numbers in terms of when you look at it from an anti-hypertensive lens or when you look at it from a diabetic hypertensive lens, right? In anti-hypertension of 200 million plus patients, one out of three is suffering from some kind of renal complication. And that is a responsibility we have taken in terms of how do we ensure the prescribing community is ensuring efficacy for renal complications when they are prescribing antihypertensive drugs.

Even if when you look at it from a lens of diabetic hypertension, one out of two diabetic patients are already suffering from severe hypertension, which means they need a combination of Cilnidipine plus another ARB which will be required. So, for us, the market is big. We are not kind of only looking at Amlodipine as a market to be substituted. We are looking at how we can manage the entire antihypertensive plus diabetic, you know, suffering patients in the country. But that is the endeavor. We see a huge, huge opportunity in the foreseeable future. You know, substituting Amlo plus combinations is just one part of the overall journey.

**Girish Bakhru:** So, that is in a complicated hypertension, let's say 50% of those cases which you are saying, is Cilacar-T first line of treatment now?

**Kunal Khanna:** In complicated hypertension, if that is diabetic hypertension as per RASDI guidelines, Cilacar-T is the first line of treatment, yes. It's CCB plus ARB and within CCB it's clearly mentioned Cilnidipine is the preferred molecule.



- Girish Bakhru:** That's very helpful. And if I can just, a related question, ask you, last I think you said 600 MRs were behind Cilacar. How many there are now? And how does that number look vis-a-vis Telma and other brands?
- Kunal Khanna:** We would not want to compare or comment on how does that number look with the competition. What we mentioned in terms of during the last call in terms of reps detailing Cilacar and combination, that number hasn't changed.
- Girish Bakhru:** Okay, okay. And just last one, I mean, you clearly have a good pipeline, 25 brands over 25 crore sales. But just from the list, which are the real probable ones which can surpass 100 crore besides these top 6 brands?
- Kunal Khanna:** See, for us, the progressive portfolio, we are taking a big bet on all the brands which are upwards of 25 crore. The real growth progress story, we are very, very confident of our Metrogyl ER, Ranraft, Bizfer-XT, Loban as another probiotic. So, we have a set of 8 to 10 products which over the next 2.5 to 3 years will be closer to 50 and clearly from a mid and long-term perspective will inch towards 100 crore as well. So, some of these names which we mentioned in terms of Loban, Metrogyl ER, Ranraft, Laxolite, these are clearly, you know, progressive bets about which we are extremely bullish.
- Girish Bakhru:** Thank you. Thank you very much. Very helpful.
- Moderator:** Thank you. Before we take the next question, we would like to remind participants to press "\*" and "1" to ask a question. Next question is from the line of Sumit Gupta from Centrum. Please go ahead.
- Sumit Gupta:** Hi, thanks for the opportunity. The first question is on the gross margin. So, how do you see the gross margin trajectory going forward in Q4 and over the next two to three years?
- Narayan Saraf:** So, our cross margins continue to be in the range of 66 to 67% at a yearly level, and we see some challenges on EPI and Forex impacts, which right now we don't see any impact in the near future, but as we move on, we will continuously monitor them. And in the short and in the medium and long-term, we will find out actions to mitigate those challenges. But however, we continue to hold that it will be in the range of 66% to 67% in the near future. Kunal, do you want to add something?
- Kunal Khanna:** So, we are very confident of the range which we are holding right now as things stand despite the dollar-rupee situation. We are adequately covered with respect to the stock. So, for sure in Q4, we should be pretty much close to the margins which you currently see.
- On the long-term situation, you know, despite the volatility I think over the last three years also you have seen that we have always worked around efficiency measures to improve our gross margin profile. Those efforts will continue to drive from a mid and long-term perspective, and will be watchful of the situation.
- Sumit Gupta:** Okay. So, just want to hypothetically, like if you plan to expand the gross margin to 58% or more than that, so what will be the ideal scenario in that case?



**Kunal Khanna:** Could you repeat the question please?

**Sumit Gupta:** Like if the gross Margin is, let's say, move to 68% to 69% kind of level. So, what would be the, like, ideal scenario in terms of pricing or volume or? It's a competition. So, I just want to understand on that aspect.

**Kunal Khanna:** See, our endeavor has always been, if you really look at how we have shaped up the business, you know, the more profitable parts of our business, which is India and CDMO have always taken priority which helps us in driving better product mix apart from the efficiencies which we continue to drive and which has been a major part of, you know, how we have seen gross margins improve over the last two to three years.

Currently India and CDMO business is already inching up towards closer to 70%. We have put an aspiration of over the next two to three years how the both these segments will contribute 75 to 80%. You know, we are very confident that these segments will continue to drive growth. And if the external market in terms of supplies and API prices remain in the steady state and there is no volatile situation, we would see a closer to 125 to 150 bps being added on our margin profile with these two segments always improving. So, that's what we can comment at this stage.

**Sumit Gupta:** Understood, sir. And second question is around the Azmarda. So, what are the sales for 3rd Quarter and overall, nine months?

**Kunal Khanna:** So, overall, we are already trending at close to 130,000 units per month, which almost five to six months back was close to 95 to 100,000 units. So, as we mentioned last time also, every quarter-on-quarter sequentially we should be adding close to 15 to 20,000 units per month, and the visibility which we have and the trends which we see are very, very positive.

The competition of low-cost generics has almost phased out, and now it's become a game of the top four to five players only. We have consolidated our position over the last six to eight months as well. We continue to be very confident about this segment in which we have invested. The volume growth will be closer to double-digit, and we will progress similarly. So, right now, even on what you see on IQVIA, our trending is closer to 70 crore, and we expect this particular brand to drive almost mid-teen growth for us going forward.

**Sumit Gupta:** Okay. So, for this quarter, it was around 70 crore.

**Kunal Khanna:** That is YTD MAT figure is what we are saying. Yes.

**Sumit Gupta:** Understood, sir. And sir, lastly on the ESOP, I, like apologies if it is a repeat. So, what were the ESOP charge expected for FY '25 and for the next two to three years?

**Narayan Saraf:** So, let me just repeat it. So, FY '25, we are expecting ESOP charge of 56 crore. In FY '26, it would be around 40. FY '27, it would be around 24 crore.

**Sumit Gupta:** Okay, sir. Thank you.

**Moderator:** Thank you. We will take our next question from the line of Umesh Laddha from Nirmal Bang. Please go ahead.



**Umesh Laddha:** Yes, thank you for the opportunity. So, first thing I wanted to reconfirm that we are having no plans to launch Semaglutide and if we are not having any plans to launch Semaglutide, then the launch of Semaglutide will affect our diabetics portfolio.

**Nikhil Chopra:** Right now it is very early to say that whether we will get into Semaglutide market or not, but our presence in diabetic portfolio is almost not there. So, it does not...

**Nikhil Chopra:** Impact.

**Nikhil Chopra:** It doesn't impact us.

**Umesh Laddha:** Okay, sir. Thank you so much. And also one more thing is that are we planning for some inorganic growth in FY '26?

**Nikhil Chopra:** We continue to evaluate assets. That is a part of our plan. We as a team, we have a team of people who continue to evaluate assets. So, as and when anything which comes across which is suitable, synergistic, in line with the category where we would like to acquire, good payback period, quality asset, we will be more than happy to acquire.

**Umesh Laddha:** Okay, sir. That's it from my side. Thank you.

**Moderator:** Thank you. We will take our next question from the line of Amey Chalke from JM Financial. Please go ahead.

**Amey Chalke:** Yes, thank you for taking my question. Most of my questions are answered. Just one more. You said something on M&A as well, but if we see we have added three new therapies, Probiotics, Ophthal and Pediatric, for the last two to three years. Going ahead, your focus would be deepening our presence in these three therapies, or you would like to add a few more therapies? Would we be opportunistic in adding new therapies?

**Nikhil Chopra:** Given a choice, we would like to deepen our presence in the existing therapies. Not that we will ignore anything new which is coming in from newer space. We will be more than happy to get. All will depend upon the quality of asset. We want to acquire something which is long lasting. May not be growing as is, but in a growing market. If tomorrow we have the capability to grow it better than the market, like what we have done in the world of ophthalmology or pediatrics or probiotics, that is what we have seen, that is our endeavor.

**Amey Chalke:** Sure. And the second question I have is related to this only. Like we have a very good presence in cardiology now. We are almost present across hypertension to heart-related issues, everything, cardiac. So, this therapy, you can leverage your presence very well while entering into diabetologists as well because many of these cardiologists also prescribe lot of diabetes prescription as well. So, why are we not thinking of going into or launching organically diabetes related brands?

**Nikhil Chopra:** We tried. We attempted launching Sitagliptin, Vildagliptin, Dapagliflozin. Not easy. By the way, the computation is intense. And what we have learned over a period of time, right now Dapagliflozin we are doing around 15 crore annually. What we have learned over a period of time, then let us stick to our domain, more in the area of cardiology



and within cardiology we have segments like hypertension, heart failure, lipids. We may get into the world of arrhythmias, blood thinners. I think that suits us much better as compared to getting into the world of metabolic because not easy. Not easy the way we have seen. That is where we are.

**Amey Chalke:** So, is it possible like a GLP-1 could be an opportunity to enter because initially the competition would be low, which could give you a headway to create a brand?

**Kunal Khanna:** It's not fair to assume that competition will be low in GLP-1. You know, whenever products go LOE, we have seen in the Indian market that even if there are few manufacturers, the market is open for all to source and market the products. Yes, over a period of time, the competition kind of eases out.

Given that we are not a dominant leader in this space, we don't currently, as of now, have any plans to make any serious impact on the GLP-1 side. But anything which is closely related to our main strengths, like on cardiology, what Nikhil mentioned, we are happy to evaluate other opportunities within cardiology. We are still operating at 70, 75% of covered market opportunity in cardiology. So, there will always be adjacencies which we can evaluate.

And on metabolic, you know, the organic strategy did not pay us good dividends. But if there are some other opportunities which we can evaluate from an inorganic perspective, we will be happy to evaluate them.

**Amey Chalke:** Sure. Thank you so much. I will join back the queue.

**Moderator:** Thank you. Ladies and gentlemen, to ask a question, please press "\*" and "1" on your phone now.

**Jason D'souza:** We have a question that is there on the, just come on to the question vault. The question is for Narayan. So, the net cash position has been fairly strong. How do we see the net cash position panning out for this financial year?

**Narayan Saraf:** So, thanks, Jason. So, very clearly, we see that currently we are sitting at a net cash flow of around 516 odd crore, and we clearly see after paying off the dividend which we have announced yesterday, and making ourselves debt free, we would be ending the year with around 650 crore of cash positive. So, we would be paying off all the loans and with dividend payout of almost 130 crore plus. In spite of that, we see our cash flow, net cash would be around 655 odd crore.

**Jason D'souza:** And the second question is, how do you see the Q4 performance panning out for the organization?

**Nikhil Chopra:** So, Q4 what I think what we shared earlier in the commentary, first of all, we are bullish in terms of we will deliver double-digit growth in our international business. And equally, overall the trend will be strong as we have good order book for our CDMO business. India may be soft because of the March month. That is why the inventory goes down, but overall the traction will be maintained, and you will see a good trajectory to be continued in Q4, and we will end the year on a high note.

**Jason D'souza:** Thank you. Over to the queue now.



**Moderator:** Thank you. Before we take the next question, I would like to remind participants to press "\*" and "1" to ask a question. Next question is from the line of Rahul Jeewani from IIFL Securities. Please go ahead.

**Rahul Jeewani:** Yes. Hi, sir. Thanks for taking my question. Sir, within the domestic business, can you also talk about how has the traction been for our probiotics portfolio and Sporlac?

**Kunal Khanna:** Sporlac already, Rahul, is more than 120 crore reflection. Even from an internal perspective, we are just about inching towards the 100 crore mark. The category has grown this year. For us also, the brand and its variants like Sporlac GG have done fairly well. Even in external market reflections, we are pretty much on par with the market growth. So, you know, our strategy remains that we do better life cycle management of this brand, and we continue to grow this franchise.

**Rahul Jeewani:** Yes, sir. And so, within the Probiotic segment, we were also targeting to launch liquid probiotic formulation. So, where are we in terms of launches for some of these product segments within probiotics?

**Kunal Khanna:** That is poised for launching. And over the next couple of months, those variants are also going to get fully commercialized in the market. Those plans continue to be under implementation.

**Nikhil Chopra:** This month, Rahul, for the month of February you should see a new version of Sporlac being there in the market that is Sporlac DG. That is for dental health. Then you will see the liquid formulation. Then we are launching once again more formulation for woman health. So, we will continue to see the overall Mother franchisee expanding with lot of SKUs for specific integration for the category.

**Rahul Jeewani:** Sure, sir. And within the overall India business, what are our rep expansion plans? So with, let's say, some of these launches happening in the Probiotic segment, do you think we will need to significantly expand our rep presence in India?

**Nikhil Chopra:** No, no, there is no, no, nothing significant, nothing like significant, we have been commenting on. Probably next 12 to 15 months, there is no plan to increase any medical rep.

**Rahul Jeewani:** Okay, so whatever growth we see would help us to drive productivity improvement.

**Nikhil Chopra:** Yes, we are adequately placed in terms of the representation that we need in the clinic of doctors for our portfolios that we have marketed in the country.

**Rahul Jeewani:** Yes, sure. So, sir, two more questions from my end. Now within the CDMO business, we have been trying to develop some of these newer product concepts as well as expand to newer clients. But till date, we haven't seen some of those initiatives playing out. So, when do you expect, let's say, an inflection points to play out in the CDMO business, particularly with respect to some of these newer product segments or the newer clients which we have been targeting?

**Nikhil Chopra:** See, in last quarter commentary, Rahul, we have spoken that already the traction has started. If you look at, there are two new partners now in Europe. Europe market was not there. So, Quarter 3, quarter 2, we started our presence in Europe with a company



called Krka, K-R-K-A, in Czech Republic, where our lozenge supply has already started.

And also with our existing partner, that is Kenvue, which is a consumer arm of J&J, where we do business in Russia, in the world of CDMO, we have announced our presence in Europe with a brand called **Zarbees**, which is for immunity and wellness which is in the form of lozenges. First time we have manufactured for them.

They already have gummies and syrup for Zarbee. We are the company who are manufacturing lozenges for them. In this quarter, that is now in Quarter 4, which we will do the commentary in quarter 1, you will start seeing some new projects kicking in, what we have been speaking in some new geographies other than Europe, some new therapeutic dosage forms which we will start supplying.

So, all this will happen, and you will see traction coming. That is why if you see overall, we see this business going at mid teens probably for next year, and Quarter 4 already we have a very good order book in place. So, you will see good outcome in order in Q4 also for the CDMO business. So, we are very bullish.

And earlier I had spoken there are at the right time, we will also be sharing with all of you that probably for next 15 to 18 months, there are 4-5 big projects which are kicking in, and all this will require CAPEX, which already has been put in place. All this will require the entire facility that we have in our Daman plant, and some of the work that we have started doing for our CDMO in our Panoli plant also, all CAPEX have been placed, all developmental work which has been on. So, at the right time you will be hearing more and more positive commentary on this part of the business.

**Rahul Jeewani:** Sure, sir. And these four to five key projects which you are targeting, which might entail incremental CAPEX, what could be the quantum of CAPEX for the CDMO business then?

**Kunal Khanna:** The quantum of CAPEX is not much. We can easily absorb that as part of our regular expansion and maintenance CAPEX. So, this does not lead into any incremental CAPEX levels beyond our current steady-state level.

**Rahul Jeewani:** Sure, sir. And last question from my end. So, if you see, this year despite the dilutive impact of the Ophthal acquisition, so Ophthal acquisition diluted our gross margins by roughly 150-160 basis points, and despite that our operating EBITDA margins have improved almost 80 basis points in 9 months of FY '25 which implies on the base business, we would have seen almost a 200-250 basis point kind of an EBITDA margin expansion. So, what is your outlook in terms of margins going forward, particularly with the fact that our India and CMO revenue share continues to inch up?

**Narayan Saraf:** So, we clearly expect our margins to be in the range of 26% to 28%, which we have been giving the guidance.

**Narayan Saraf:** EBITDA margins.

**Narayan Saraf:** EBITDA margins. We would be in that same range. Obviously, we continue, like I mentioned in my notes, that we will continue to drive the efficiencies both in terms of cost and drive the mix improvement to enable us to Keep on thriving on the EBITDA margin improvement.



**Nikhil Chopra:** See, the way, Rahul, we see this business overall, please understand, the focus is always on India and CDMO, which are highly profitable and high cross margin business. Now with API prices going up, dollar touching Rs. 87, Rs. 88, obviously some impact will come, and this will be across industry. But right now, immediate, because of the inventory build-up, we don't see any impact. But we have been keeping fingers crossed. Probably, if the gross margins improve, we will be able to mitigate that.

You always will see Rahul, us being, what guidance we have been giving, of 26 to 28% probably we will be ending the year on a higher note on the higher side of the guidance. That is what we have been projecting, whether it was 25 to 27% which was earlier guidance, we close at 27% plus. Right now, the guidance is 26 to 28%. We will be closing close to 28%, and in the right time, we will be more than happy to revise our guidance.

**Rahul Jeewani:** Sure sir, I was asking more from a next 2 to 3-year perspective rather than this year as such.

**Nikhil Chopra:** See, in the next 2-3 year may once again, Rahul, if you see this entire aspect of ophthalmology will come in, which will give us 200 bps improvement in our overall EBITDA, where our gross margins from 20% will go up to 70%. So, all this calculation will play, but I am talking in terms of short-term volatility, which is in place. Probably after 3 months we may be speaking a different language. With rupee appreciating, API prices being stable, product mix improving, probably our guidance will go up. So, right now, let us talk of this year, 28%. At the right time, we will be more than happy to revise our guidelines, which touch wood should be on the upward trajectory only.

**Rahul Jeewani:** Sure, sir. Thank you. That's it from my side. Thank you.

**Moderator:** Thank you. We will take our next question from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.

**Alankar Garude:** Hi, good afternoon, everyone. Sir, you spoke about healthy Metrogyl sales in 9 months. Wanted to understand what has been driving growth in the market and how sustainable is this?

**Nikhil Chopra:** Not that I can comment that it is sustainable, but it helps us in terms of season being better and GI infections being on the rise. That is why we could see healthy Metrogyl uptake for first nine months of the year. Probably Quarter 4 is not the right time.

But as a company, what we have realized that I think we should more talk about the virtues of Metronidazole as a molecule, which we want to do, which we are trying to look at, not only plain Metrogyl, but the newer versions of Metrogyl, topical applications of Metrogyl.

We put our whole effort in terms of how we can make this brand reach newer peaks. with half a dozen topical applications, with Metrogyl extended release, with Metrogyl, Metronidazole, Ofloxacin combination, all the portfolio what we have bought and with 70-80% market share, if season supports, probably it should go at high single digit. Otherwise, I think 5-6% growth we should get for this portfolio.



- Alankar Garude:** Sir, given the high market share which we already have in solids and liquids, would it be fair to assume, as you said, more focus on topicals? Should that be the key growth driver contributing to this 5-6% growth which you mentioned?
- Nikhil Chopra:** This year what has helped us is overall the peak in tablets and equally the focus is more on the topicals in terms of the prescription that we generate. So, out of 6 topicals, 4 topicals we sell 100,000 tubes a month. So, more and more effort will be there to improve prescription trend for the topical, and if season supports, high single digit, otherwise 5-6% growth, we will be more than happy.
- Alankar Garude:** Understood. The second question is, in our current ESOP plan, all the options are getting wasted latest by August 2027. Now this could happen earlier in case of KKR's exit. So, to provide greater visibility on management retention, are we evaluating a second ESOP plan?
- Nikhil Chopra:** Not, I don't think. Let us continue to focus on the result part. Not that we have given any thought on this entire part of ESOP. I think first let this entire ESOP scheme get over and at the right time, we will be thinking in terms of what type of new incentive plan we want to put in place for our team.
- Alankar Garude:** Fair enough, sir. That's it from my side. Thank you.
- Moderator:** Thank you. We will take our next question from the line of Harith Ahamed from Avendus Spark. Please go ahead.
- Harith Ahamed:** Thank you for the opportunity. Just one question. You talked about progressive therapy areas and how you targeted segments such as heart failure, ophthalmology, probiotics, et cetera, and how these segments account for our significant share of our revenues today. Are there any such areas outside of these that you have identified which you plan to enter either organically or inorganically?
- Nikhil Chopra:** We would, see, when we see that there are brands which are growing better than the Indian pharma market and we see huge opportunity in creating market or capturing market share, given a choice, we will be more than happy to stick to where we are organically, and you will see new launches in that space only. We would not like to launch anything from scratch in any newer category of products in India. That is what we earlier also we have commented.
- If we acquire anything outside the category where we are present, obviously we will have new launches in that category of business, like what we are doing today in the world of Ophthalmology. We have acquired 10 brands. Couple of brands we have launched in ophthalmology space, but if you see our new launches, more will be in the area where we are present because we think that the ability of the company, the DNA of the company is that how do you make the big mother franchisee contribute bigger to the business.
- Harith Ahamed:** Okay. That's all from my side.
- Moderator:** Thank you. Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to management for closing comments. Over to you, sir.



**Nikhil Chopra:**

First of all, thank you all for participating in today's conference call. We continue to focus as a company on profitable growth, as what I spoke earlier in my commentary. And our major area of growth trajectory will continue to be in India.

Today we are rightly placed in the categories which is 65% of our business growing better than the market. We are fortunate enough to have that portfolio and also fortunate enough to have our teams on the ground who are doing their best in execution. That is India part.

India business today is contributing 60% to the revenue, which four years ago was contributing 45% to the revenue. So, today, 60% of revenue is coming from India. And equally, what has been spoken is in the world of CDMO, which was contributing 5% of the revenue 4 years ago. It's contributing today 12% of the revenue.

So, India plus CDMO today continues to contribute 72% to the revenue, which have got high gross margins. And the endeavor going ahead will be, in short to medium term, how to take this 72% contribution to 80%, which will only help us to create overall value for our stakeholders and serve more and more number of patients in India in the world of CDMO. That is what we want to do overall as a country. Thank you all. Thank you all for patient hearing.

**Moderator:**

Thank you. On behalf of JB Pharma, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

