



GOOD PEOPLE
for **GOOD HEALTH**

November 12, 2024

National Stock Exchange of India Limited
Exchange Plaza, 5th 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 November 7, 2024 at 3.00 p.m. IST in relation to results and developments for the second quarter ended on September 30, 2024. The same will also be available on the website of the Company 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
Q2 FY25 Earnings Conference Call Transcript
November 07, 2024

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

Moderator: Ladies and gentlemen, good day and welcome to the JB Pharma's Q2 FY25 Earnings Conference Call as on the 7th of November 2024.

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 this conference, please signal an operator by pressing "*" and 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. Over to you, sir.

Jason D'souza: Thank you. 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 Pharma.

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 Q2 FY25 "Results Presentation" that has been sent to you earlier.

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



Nikhil Chopra:

Thank you, Jason, and a warm welcome to all of you. Thank you for being with us today. I will commence with my thoughts on our Q2 Performance.

JB Pharma has maintained its space of performance with Rs. 1,000 crore revenues are being delivered yet, again in Quarter 2 FY25. Our gross margins have held steady at 66.2%, whereas our operating EBITDA margins came in at 28.4%. The operating EBITDA stood at 13% higher than the INR at INR Rs. 285 crore while net profit increased by 16% to Rs. 175 crore. I am pleased to share that our domestic business has continued to around 59% of the overall turnover during H1 relative to 55% during H1 FY24. This is representative of the consistent momentum in our brand portfolios. We have created leadership positions in the select categories where we operate and continue in turn to expand those categories.

Let me cover this in some details for all of you:

The domestic business delivered 22% growth year-on-year to INR 588 crore for Quarter 2 FY25. Excluding Ophthalmology, we have increased the business by 12% growth year-on-year. We have continued the trend of delivering ahead of market as per IQVIA MAT September 24. JB Pharma has shown 11% growth versus IPM growth of 7.6%.

Each of our big brands has witnessed healthy gains. Presently, all our top five brands are among the top 150 in the country. We are within the top 10 players in the Cardiology market, whereas we have jumped ranks from 15 as per MAT September 21 to now 8 in MAT September 24, in the Cardiology market. Azmarda and Razel have contributed here, along with the Cilacar and Nicardia franchisees.

Let me expand on our acquired portfolio performance:

Azmarda has delivered sales of Rs. 67 crore as per IQVIA MAT September 24th post LOE and this trend is only likely to improve with Sacubitril and Valsartan market growing at 15%-20% CAGR for the foreseeable next 5 years. Razel franchisee has given a strong 28% year-on-year growth as per IQVIA MAT September 24. Sporlac franchisee reported revenue of Rs. 137 crore as per IQVIA MAT September 24, growing at a 29% CAGR since Rs. 83 crore as per IQVIA MAT September 22. So, from Rs. 83 crore in September 22 MAT today, we are Rs. 137 crore September 24 MAT for Sporlac franchisee. Our Pediatric portfolio has achieved some notable trends with Z&D pediatric syrup formulation becoming the Rs. 24 crore brand. Ophthalmology has been well-integrated in January '24 and has grown 19% in quarter FY25 related to Quarter 1 FY25 as per IQVIA data.

Coming to our "International Operations":

Our international business revenue has grown at 3% to Rs. 413 crore. Both South Africa and the US businesses have recorded double digit growth. Even our Russia and branded generic business in ROW markets had a high single digit performance. Our CDMO business remained muted for H1 FY25 and is expected to recover in H2 FY25. CDMO sale that is US \$2 million got deferred to Q3 FY25 due to material availability challenges which further impacted our Quarter 2 FY25 performance. As a result, CDMO is expected to report a strong number for Q3 FY25. We have a robust order book for Q3 and Q4 FY25. We are maintaining our margins outlook to 26%-28% despite the uncertainties in the market where we operate. Cost optimization is a key focus area for us. Looking ahead, we anticipate our domestic business to continue to outgrow the market on the back of our brand focus and market share gains. The thrust on chronic and high growth portfolios will also contribute strongly to this performance for the coming time. We expect our CDMO business to show a strong trend in H2 as mentioned earlier and thereafter on the back of new launches, new partners and expansion into new geographies across the globe.

We are building a strong business that continues to deliver, backed up by efficient operating processes and strong brands.

With that, I wish to conclude my "opening comments and request our CFO, Mr. Narayan, to continue with his comments. Over to you, Narayan.

Narayan Saraf: Thank you, Nikhil. Good afternoon, everyone, and welcome to our Q2 Earnings Call.

I will now take you through the “Financial Highlights” for Q2 FY25:

Revenues for the quarter were at Rs. 1,001 crore, representing an increase of 13% year-on-year. The domestic to international business mix was 59% to 41% respectively. The domestic business reported revenues of Rs. 588 crore with growth of 22% year-on-year. Not including the Ophthalmology portfolio, the domestic business reported a 12.6% year-on-year growth.

As per IQVIA MAT September 24 data within the IPM, the Company outperformed with the growth of 11% versus the IPM growth of 7.6%. The international business saw moderate growth of 3% year-on-year at Rs. 413 crore. Gross profit margin for the quarter stood at 66.2% grew by 13% excluding Ophthalmology portfolio, which currently has limited margin, gross margin improved by more than 150 basis points year-on-year. However, cost optimization efforts, favorable product mix and price growth aided margin.

Operating EBITDA excluding ESOP cost stood at Rs. 285 crore with growth of 13% year-on-year. The margins were at 28.4% in Q2 FY25. On the expenses, overheads including employee cost was contained, which also aided operating margin. Finance costs reduced from Rs. 10 crore in Q2 FY24 to Rs. 2 crore due to decrease in gross debt. MTM FOREX impact of Rs. 4 crore was recorded in Q2, primarily due to depreciation in Ruble currency.

The Company’s operating cash flow in H1 were at Rs. 380 crore as against Rs. 421 crore in H1 FY24. Cash tax has increased by Rs. 34 crore due to increased taxable profit and lower accumulation of deferred tax liabilities. The Company held inventory because of anticipated EPA costs and ophthalmology inventory.

The Company’s gross debt as of 30th September 2024 was at Rs. 82 crore versus Rs. 358 crore as on 31st March 2024. The net CAPEX addition for H1 FY25 was Rs. 53 crore versus Rs. 93 crore in H1 FY24. We reiterate our guidance for operating margins between 26% and 28%. We remain confident on a positive outlook through opportunities for the Company and providing value to our stakeholders.

that brings me to the end of my “Opening Remarks”. I now request the moderator to open the forum for the question-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amey from JM Financial. Please go ahead.

Amey: So, two questions from my side. First, given our capacity expansion for the CDMO business, how do we see this business growing in the future and what would be the peak potential for this?

Nikhil Chopra: So, also in my earlier comment what we have projected, if you look at medium to long term, this business, it is now close to \$50 million, we want to take it \$100 million in 3-5 years, but in short to medium term, probably what comment they have shared in probably H2, you should see business ramping up because couple of million dollar got deferred in quarter 3 because of the material availability. There are lot many of new projects that we have put in place. New drug delivery, newer geographies, newer partners, newer category of lozenges, all these are in place. We will be more than happy to share the details as and when we are ready to share that, but overall the momentum that we see in this business is up north and our guidance in terms of the business that we want to take it to \$100 million still stands as is.

Amey: And second question, is it possible to provide constant currency growth for the international business segment?

Narayan Saraf: We will get back to you. We have not seen constant currency growth. We don't have the numbers handy right now.

Moderator: Thank you. The next question comes from the line of Sumit Gupta from Centrum. Please go ahead.

Sumit Gupta: Sir, just two questions. So, first is on the Azmarda, what kind of potential do you see in Azmarda and what kind of growth can you create?

Kunal Khanna: So, the Azmarda growth rate in the future, we project growth at 15%-20%. There is huge potential in the heart failure market as we maintained earlier also close to more than 10 million patients, less than 20% diagnosis, the adoption continues to be extremely high for this product. In the last call also, we mentioned that our first goal was that consolidation happens, and we maintain our run rate of 125,000 units, which is close to Rs. 6 crore monthly value. We are there. We are consistently tracking at that mark and we continue to maintain a very positive momentum for this particular molecule. It will grow at 15%-20% from here on.

Sumit Gupta: So, the demand is like how much, so last quarter you mentioned right around 125,000 units. So, there is steady or like how is it?

Kunal Khanna: From here on, so quarter-on-quarter, we expect close to 5000-7000 units gain. So, what we are expecting is by the end of this financial year, we will be close to 140,000-145,000 units and from there on we should expect close to mid-teens growth for this particular molecule.

Sumit Gupta: And sir, lastly, on the operating EBITDA also for the first half, you delivered around 29% nearly and the guidance is still maintained at 26%-28%. So, what will likely lead to moderation in the margin second half?

Kunal Khanna: We maintain our guidance. Our endeavor is to be on the higher range of the guidance given. While we have delivered that, we are also mindful that Q4, India business in March because of inventory normalization, there is a marginal impact, but having said that, we are fairly confident that we should be at the higher range of the guidance given.

Moderator: Thank you. The next question is from the line of Tausif from BNP Paribas Exane Research. Please go ahead.

Tausif: My first question was in India business. Can you provide the price and volume breakup for this quarter?

Narayan Saraf: So, the volume growth was in the range of around 5% and the price growth was also in the range of around 6% for the quarter.

Tausif: Second question was CDMO partners, do you expect this raw material issue to get resolved in coming quarters?

Nikhil Chopra: Yes, that is what I shared in my commentary that already this material availability issue has been resolved and couple of million-dollar order which has been deferred in quarter, quarter 3 will be delivered that will be there.

Tausif: Sir, last question, in the last 4-5 years, on our top brands, what kind of volume growth we have witnessed?

Kunal Khanna: Volume growth has been consistently at close to 6% plus. Even if we compare our volume growth of late in Quarter 2, we have registered 5% versus IPM of less than 1.5% and that is what we have always maintained that we will try to maintain an incremental 3%-4% delta as far as volume growth in the IPM is concerned and we continue to trend along. Also just to clarify, the volume and price growth which was given was excluding ophthal portfolio. So, we clocked organically 13% and that was the breakup of volume and price.

Tausif: And if I am right, we have launched several line extension right for the existing products in last 4-5 years?

Kunal Khanna: Yes, lifecycle management has been very critical to our overall growth strategy for the large brands. So, big brands like Metrogyl have now extensions like Metrogyl ER, our Rantac has Rantac OD, Sporlac which we acquired, we did significant incremental innovations, so now we have other variants in the form of Sporlac GG and there are other various forms of probiotic

which we are looking at. So, LCM has been very core and critical to our overall strategy of organic and acquired portfolio.

Moderator: Thank you. The next question is from the line of Rashmi S from Dolat Capital. Please go ahead.

Rashmi S: My call was dropped, so I think I have missed that comment. Did you mention the reason for the non-availability of the raw materials in the CDMO segment? Was it related to change in any particular vendor because of which it got delayed? Or any specific reason for it?

Kunal Khanna: No, this is not related to any change in vendor, nothing of concern, just specific excipients got delayed. Some of these excipients because it is a very unique and differentiated product come from regulated markets and there was just a slight delay, so nothing of concern. Overall, we see very strong traction for our CDMO business in H2 and some of these supply challenges will also get resolved.

Rashmi S: So, if we expect that growth would come back in H2 and first half, we have seen a decline, so can we expect that for this entire year at least we would close flattish over FY24?

Kunal Khanna: Yes, that is a fair assumption. In fact, CDMO business for H2 will be in very high double digit growth rate to 20% plus, so we don't expect any further impact on this business. We are seeing a healthy traction and it should be as suggested.

Rashmi S: And can you quantify like much sales in this quarter was deferred to quarter 3 in this CMO part only?

Nikhil Chopra: You missed what I gave the comment, it was couple of million dollar.

Rashmi S: And in the domestic business, we are seeing Razel franchisee showing a very strong growth. Earlier, we were anticipating that this franchisee will more or less be in line with the market and it is outperforming both Statins market and the Rosuvastatin market. So, what are the initiatives which you have taken is leading to this kind of growth and what do you expect that whether the growth will get normalized or it will continue in this way?

Kunal Khanna: See, the good thing is we are in a progressive market. If you just look at the numbers of plane and combination as reflected in IQVIA, our plane has grown at 30% plus for Q2. The market is closer to 20 and our combinations are also growing at (+20%) which is higher than market. It is a very focused strategy which we have. This brand was part of our other second main chronic team where Nicardia was being promoted. We have good space in kind of ensuring that this brand gets P1 priority and given the expansion of cardiologist and consulting physician in the prescriber base, we have been able to get strong results for this.

Rashmi S: But any dedicated field force for this particular franchisee you have added or it is the same?

Kunal Khanna: It was part of our main second flagship chronic team, which was promoting Nicardia. In that particular team this gets priority 1 positioning.

Rashmi S: And one question on CAPEX, what is the guidance for this year and the allocation for it like if there is any growth CAPEX plan because your Ophthalmology product would finally come in with the Company from FY27-FY28, so any plans for that? So, if you can give guidance on that?

Narayan Saraf: So, in the second-half, we are planning for another Rs. 50-Rs. 55 odd crore of CAPEX. So, totaling this year, we will be investing around Rs. 100 plus crore of CAPEX and obviously we will keep on investing besides maintenance into even growth CAPEX and supporting for our growth endeavor of future in all the business. So, we have plans to invest in machinery which will support our IVF portfolio which will support our business.

Nikhil Chopra: So, every year, we spend CAPEX, which is close to Rs. 100-Rs. 120 crore, should assume 15%-20% is the growth CAPEX.

Rashmi S: And one last question, \$116 million which we will be paying before December 26th, that will be entirely paid through the internal accruals, or we are going to because we have already repaid the debt, but are we going to add the debt in FY27 or we will be utilizing it through internal cash only?

Narayan Saraf: As of now, the intent is that we want to pay it off from the internal accruals only because we would have enough funds to pay off the loan at that point of time.

Moderator: Thank you. The next question is from the line of Harith Ahmad from Avendus Park. Please go ahead.

Harith Ahmad: In the Ophthalmology portfolio, I think when you back calculate revenues of around Rs. 90 crore in the first half. So, can you share some color on the kind of growth that we have seen in this portfolio and which you can also talk about some of the changes that we have brought in after licensing these brands and then including the addition of MRs, so any comment there would be helpful?

Kunal Khanna: Purely from a number standpoint, when we acquired this portfolio, the steady-state run rate of the acquired portfolio in the previous organization was close to Rs. 40 Cr. In H1, we had started seeing good growth trends and we were closer to Rs. 44-Rs. 45 and now we are closer to Rs. 48 crore run rate per quarter. So, we are well aligned to our overall objective of clocking close to Rs. 185-Rs. 190 crore for this portfolio. We have seen very strong secondary traction. If you look at the recent numbers for this quarter, even the external market reflection is showing close to 18%-19% growth. Our objectives of expanding the prescriber base have started yielding us results. So, when we took this portfolio under this team, they were close to 7000 ophthalmologists, which were being covered. We have expanded the team. We took it from 65 to closer to 105 and we are right now covering close to 13,500 ophthalmologists which in the near future in the next 12 months that prescriber coverage will also expand to 16,000-17,000. So, every quarter we are seeing good sequential growth and very strong secondary trends. We remain extremely confident and optimistic about this.

Nikhil Chopra: Couple of points, I would like to add, if you see our presence today in the Ophthal business where we are doing around Rs. 47-Rs. 48 crore during every quarter, our major presence is in the world of glaucoma, pain, anti-allergic, antibiotic and last month only we have launched a new product from JB House which is Sodium Hyaluronate. So, you will continue to see every 3 months, one product we will be launching in this portfolio. In terms of what are the unmet needs in this market with now the right coverage and 100 plus people working in this team, we have enough space in terms, so we can target newer categories.

Harith Ahmad: And second question is on your mature franchise was I am referring to Rantac and Metrogyl, so obviously growth has received slower growth versus the rest of the portfolio. But going forward, how should we think about these two large franchises because they continue to account for our signature about overall sales, so are we expecting these to deliver growth going forward or should we expect fairly flattish kind of sales?

Nikhil Chopra: So, the good news was that in first 6 months of the year, let me talk first about Metrogyl, Metrogyl this year has demonstrated high single digit growth because of the better uptake in terms of prescriptions and many of the progressive SKU's within Metrogyl franchisee, there was good uptake in the prescriptions and same old true for many of the franchisees within Rantac, but some other branch in Rantac is flat in volume which you should assume it should be flat in volume, but there are other SKUs within Rantac franchisee which are showing good double digit growth. So, basically low single digit growth what you should expect for Rantac franchisee and Metrogyl probably this year the season has been good. So, that demonstrated a good high single digit growth. But the focus is more on the progressive prescriptive SKUs within the Rantac and Metrogyl franchisees.

Moderator: Thank you. We have the next question from the line of Rahul Jeewani from IIFL Securities Limited. Please go ahead.

Rahul Jeewani: Sir, on the Cilacar portfolio, obviously, we have seen very good growth over the past few years, but if you look at this franchise now, this franchise is almost Rs. 700 crore franchise for us as per IQVIA data. So, what kind of growth do you see in this franchise going forward and

what would be the drivers for the same? So, do you see any doctor coverage gaps as far as the cardiologist or the nephrologist channel is concerned for Cilacar?

Nikhil Chopra: So, first of all, there is no doctor coverage gap. Basically, our bifurcated data focus on these changes where the focus continues to be on Cilnidipine, which is starting prescription for newly diagnosed hypertensive patient with compromise renal function that is point number one. Point number two is the way we have segmented Cilacar-T, as a product for patients who are suffering from comorbid conditions of diabetes with hypertension. That is where the focus continues to be there and equally there are other two franchises where we are focusing which is a combination of Cilnidipine and Metoprolol and equally Cilnidipine, Telmisartan and Metoprolol; and Cilnidipine, Telmisartan and Chlorothiazide. These are 5 SKUs within Cilni and Cilacar franchises, which will continue to show good growth. See the way we see this market is not only in terms of revenue or what every month that is what we are generating, but we more look at in terms of the burden of disease. If you look at in a country like India, 100 million plus people suffer from hypertension and one in four patients is undiagnosed. So, we have basically put the entire positioning of segmentation, targeting and positioning for all our different SKUs to different specialty for different indication. So, we seem to be very bullish in terms of what we can do with Cilacar franchisee and targeting more from looking at how do you reduce the burden of disease and equally JB being a responsible Company, we are closely working with all the specialties, be it cardiologist, nephrologist, endocrinologist, MD medicine, not only going and promoting the products in the clinic of doctors, but also helping in dissemination of knowledge where we are also working closely with many of the societies like Cardiology Society of India, also Association of Nephrologist, equally MD Medicine in terms of what new guidelines can come in place and help in dissemination of knowledge all across which will help not only in terms of patients being diagnosed early and being given the right treatment for the right ailment they are suffering.

Rahul Jeewani: And sir, on this growth which we have seen for Cilacar and Cilacar-T, which has been around let us say 20%-28% CAGR for past 3-year period, can you call out the volume growth for both these brands specifically over past 3 years?

Nikhil Chopra: So, the volume growth continues to be between 12% and 14% for Cilacar and Cilacar-T.

Rahul Jeewani: So, 12%-14% is still being driven by volume growth?

Nikhil Chopra: Yes.

Rahul Jeewani: And sir, the second question which I had is on the export business. Now, if we see on the export formulation, this quarter, we saw growth pickup happening because of the fact that the rationalization of the South Africa tender business is now in the base quarter as well. So, given that the impact of South Africa tender rationalization in the base, what kind of growth are you targeting in the export formulation business over the next 2-3 year period?

Nikhil Chopra: First of all, let us talk of current year. Current year, we are looking at this business, international business to grow double digit and we should be closing the year, high single digit for this business. That is where we stand and South Africa as you told as you were what you are talking about last 5 quarters, we have come out with the haircut that we have taken off Rs. 150 crore, this quarter we showed double-digit growth and this business now will go at double digit around 10%-12%. FY27, you should see better traction in our ROW branded generic business where we will see some traction coming from new launches which we have been filing. Last year, this year, both put together, we should be filing around 20 new products that should also contribute to the business growth for that business, which is once again approximately Rs. 100 crore a quarter. So, overall, because of this couple of million dollar business of CDMO getting deferred in quarter 3, that is why overall business you saw muted growth of 3%, but we should close the business with high single digit growth with double digit growth happening in H2 and this business overall should go at around double digit in the coming time.

Rahul Jeewani: Sir, last question from my end, so when the new management team had come in at JB, we had also expanded our R&D team in terms of a new R&D file, but if we see the traction on the exports business in terms of new filings or even new ANDA filings for the US business has

been limited, so sir, when do you see some of those R&D efforts translating into better growth for the international business?

Kunal Khanna: Rahul, we have always maintained, there are two parts of our filing strategy. One is what we will do in our overall international ROW markets and a very selected stage gate approach as far as US market is concerned, right. So, with respect to the international rest of the world markets, as Nikhil was saying, we have already done close to 20 development and filings, the benefits of that and this being international market from the time the dossier is prepared, filed and once you get regulatory approval, it is 18–20-month process. So, the first phase of 10 products which we have filed, we should start seeing benefits and regulatory approvals coming for them somewhere in September, October or calendar year 25, which means basically Q3, Q4, FY26 and for the other set of 10 products, you should start seeing incremental gains coming in FY27. So, we are fairly confident that the first two phases of international filings of 20 products, we should start seeing incremental gains from late FY26 and full realization in FY27. Coming to US, we have always maintained that it is going to be close to 3 filings a year. We have over the last 2 years maintained that and you should start seeing approvals also coming through in the next 9-12 months.

Rahul Jeewani: And just one follow up on that, can you split out these 20 filings across markets if that is possible?

Kunal Khanna: No, we would not want to kind of give disclosures regarding that. That is very business specific strategy which we have for these products.

Moderator: Thank you. We have the next question from the line of Soumya from Desperado Advisory. Please go ahead.

Soumya: I wanted to ask that in previous concall, you quoted for the new product launches in Pediatrics, GI, Probiotics, so with an expected pace of 1-2 launches in every two months. So, could you please provide an update on whether this guidance has been followed so far or if so, could you please share the details of the recent launches?

Nikhil Chopra: So, first product that we had launched was this Ranraft syrup, which is in the GI franchisee, also which clocked around Rs. 10 crore revenue for the year. Almost 6 months of the year has happened. That is point number one. Equally, a couple of launches had happened in the world of Sporlac franchisee what was shared earlier that is Sporlac GG that is a pediatric formulation of Sporlac and equally Sporlac Eva which is there. Equally, in Metrogyl franchisee, we have launched Metrogyl DG LA Gel which is once again for dental health. You should see couple of more launches happening probably. We have also launched one eye drop that is Sodium Hyaluronate which is in the market in the world of ophthalmology. We have a very good iron supplement that is Bisfer XT tablet which is close to around Rs. 15-Rs. 20 crore product. We are launching a syrup formulation in that. Equally, you should see probiotic for dental health which should come in probably in the month of December and one or two more launches we should see in the world of Ophthalmology. So, this trend will continue.

Soumya: So, sir, what has been the outcome of debt on the revenue, has it impacted or not?

Nikhil Chopra: So, what was shared earlier by Narayan, if you look at the volume growth which was 5% and price growth was 6%, new products are contributing around 1.5%-2% to overall growth.

Moderator: Thank you. The next question comes from the line of Sumit Gupta from Centrum. Please go ahead.

Sumit Gupta: Sir, two questions, first on the sales force productivity, how much is the MR base as of now?

Nikhil Chopra: Today, we have MR base of 2300 including Ophthalmology.

Sumit Gupta: So, going forward, how do you see, MR productivity or do you plan to add new MRs?

Nikhil Chopra: So, right now, we don't have any plans to add more MRs, at least in the next 12-18 months, there is no plan to add any MR and today our productivity stand this year is around Rs. 11 lakh.

Sumit Gupta: And sir, second is on the ESOP cost, so you still maintain in FY25 full year, you will be doing Rs. 45 crore?

Narayan Saraf: Yes, ESOP cost, we have incurred around Rs. 14 crore this quarter and yes, we expect it to be another Rs. 25-Rs. 30 odd crore in the second-half and annually, it would be around Rs. 45 crore.

Jason D'souza: Just one second, we have one question just come on the chat. So, in terms of which is come on the chat is that operating cash flows have been a little soft in the first half, so the question is, what is expected for EBITDA to operating cash flow conversion for the year?

Narayan Saraf: Very clearly, we are very confident that our net operating cash for FY24 as a percentage to EBITDA will be (+80%) like previous years.

Moderator: Thank you. The next question on the audio bridge is from the line of Abdulkader Puranwala from ICICI Securities. Please go ahead.

Abdulkader Puranwala: In terms of your MR productivity, so could you help us understand, where is the scope for further improvement? Is it the new set of brands what you have launched in terms of the acquired brands or the line extensions where you believe, the next set of productivity improvement would be driven?

Nikhil Chopra: All across, if you look at what we are trying to do in the world of Cardiology, today, our productivity is higher than all India productivity. So, that can also inch up as what you heard earlier, our volume growth in our biggest two franchisee is in mid teens. Equally, we see huge potential in terms of what we are trying to do in our acquired portfolio. New launches will continue to contribute to the growth where productivity will inch up and also we have identified around 18-20 brands across Company that is 3 brands in every business unit which are the anchor brands which will drive the productivity. So, all across we see productivity, our productivity should go around 10%-12%.

Abdulkader Puranwala: And sir, second is on your broader aspiration to become the 14th largest Company in the domestic pharma market, while I understand that the bridge is quite significant, but would this be largely met again by few more acquisitions or any particular area where you think you can create a sizable value for yourself?

Nikhil Chopra: So, first of all, I don't know from where this is coming that we want to become the 15th largest Company. Today, we are 22nd by value and 16th by prescription. If you ask aspiration, we want to inch up in terms of where we want to be in terms of prescription, we want to be in top 10 by the way in terms of prescription. Today, we have 16th rank, so that is what is in our hand. And what was shared earlier, we will continue to deliver better performance as compared to market. Market will grow at around 8%-10% and we should grow better than the market. So, very difficult to say in terms of gaining ranks, we are happy where we are today, but we would like to increase our ranking in prescriptions with all our big brands, Rantac, Metrogyl, Sporlac, Razel, Azmarda, all those will contribute over a period of time to improve our prescription ranking.

Abdulkader Puranwala: Sir, final one on your CDMO business, so I understand that there were certain deception on the first half and the second-half will be a little stronger, but I think we have previously guided that in the long term, we aspire this to become like 100 million kind of a business segment for us. So, are we still retaining those guidance or you would like to update that one as well?

Nikhil Chopra: This question was answered earlier, but let me once again share with you. So, our aspiration to be \$100 million stand as is with the work that we are trying to expand in newer geographies, which is a combination of getting into Brazil market, getting into Europe market, getting into US market and those are the things that we are attempting which will happen probably in medium term, equally getting into newer category of lozenges which we have been talking.

Next year, what we have been talking about getting into lozenges, which are Melatonin based, which should happen next year. We have been talking about getting into immunity and wellness sausages, which are already there in our European market in three European countries. Probably, in next one year, it will be available pan Europe and other more countries. Also, you should see us getting into new doses of drug delivery, be it a combination of stick pack, throat spray, newer partners that we are trying to get into across the globe. So, all these are in place and what earlier was shared that the aspiration to be \$100 million Company in CDMO stands as is with right partners that we have got and equally the capacity that we have bought of 2 billion lozenges which can happen in 3 years, which can happen in 5 years in the coming time.

Jason D'souza: So, there is another question on chat. There are two questions, one is how do we see the performance of the India business in the second-half of the year and how has the performance been of the Probiotic business in the first half of this year?

Nikhil Chopra: What was shared earlier that Sporlac as a franchise when we acquired was Rs. 83 crore couple of years ago. Today, it is Rs. 137 crore as reported in IQVIA MAT and what we have done is done right, life cycle management and better distribution and representation of our people in the clinic with Sporlac franchisee. And we are very bullish on this. These are Rs. 2,000 crore market, still we are scratching the surface, use operationally in terms of what we can do with this franchisee. Probably, this is the sixth brand that at some given time we will see we will be in top 300 from JB. And overall, when you look at India business, we will continue to deliver market bidding performance, which we have been doing for last now 3 consistent years. Because of overall industrial practice, you may see a marginal dip happening in quarter 4, but then also it will be an equal to the market delivery, but this business will deliver good healthy 12%-14% growth for H2.

Moderator: Thank you. We have a follow-up question from the line of Rahul Jeewani from IIFL Securities Limited. Please go ahead.

Rahul Jeewani: Sir, did I hear you correctly that the CAPEX investments which have slightly increased, these are investments into the IVF segment?

Kunal Khanna: Rahul, no, it is not IVF. It is basically injectable IV products, injectables for our rest of the world markets, it is basically for our export markets. So, from a Greenfield perspective, what Nikhil and Narayan were mentioning, there are two key dosage forms at least for this year. One, we are investing in throat spray and the other is expansion in the IV products.

Rahul Jeewani: Sir, what is the current contribution for, let us say these new dosage forms in the international business?

Kunal Khanna: So, throat spray is essentially something which we are going to be doing for the first time. It is largely for our CDMO business with our main principal partner. And as far as IV products go, while we would not want to disclose from a value perspective, just to give you a sense, we do close to, we have a capacity of close to 54 lakh units per month. That is something which we are expanding to 75-78 lakh units per month.

Rahul Jeewani: This is for the injectable products?

Kunal Khanna: Injectable, yes.

Moderator: Thank you. We have another question from the line of Sumit Gupta from Centrum. Please go ahead.

Sumit Gupta: Sir, I just wanted to understand on Melatonin and lozenges so when do you expect it to enter the market?

Nikhil Chopra: Sorry, you are talking about Melatonin and lozenges?

Sumit Gupta: Yes.

Nikhil Chopra: So, that is what I said that would be available in some markets outside India probably next year.

Sumit Gupta: And for pain lozenges?

Nikhil Chopra: Pain probably you should see that happening probably end of next year starting FY27. In Brazil market.

Sumit Gupta: In Brazil, in the first half?

Nikhil Chopra: Yes.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Nikhil Chopra: Thank you all for participating in today's call. I think last 2 quarters we have been delivering Rs. 1,000 crore plus revenue every quarter and our EBITDA margin stands close to around 28%. And we are confident that we end the year on a higher growth, which is backed up by what we are trying to do in India business which is growing better than the market. Equally, you should see some traction coming back in our CDMO business and we are all there in the Company in terms of how we can chart our future and remain focused on making the organization more progressive and future ready and create value for our shareholders and equally look at what more we can do to improve the quality of life of patients across the globe. Thank you.

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