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May 20, 2025

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 May 15, 2025 at 2.00 PM IST in relation to results and developments for the fourth quarter ended on March 31, 2025. 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
Q4 FY'25 Earnings Conference Call Transcript
May 15, 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

Moderator: Ladies and Gentlemen, Good Day and welcome to the JB Pharma's Q4 FY25 Earnings Conference Call as on 15th of May 2025.

As a reminder, all participant lines will remain 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 the operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jason D'Souza – Executive Vice President of JB Pharma. Please go ahead, sir.

Jason D'Souza: Thank you, Ryan. Welcome to the Q4 Earnings Call of JB Pharma. We have with us today Mr. Nikhil Chopra, CEO and Whole-Time Director, Mr. Kunal Khanna, President, Operations and Mr. Narayan Saraf, the CFO at JB Chemicals and Pharmaceuticals Limited.

Before we begin, I would like to state that some of the statement in today's discussion may be forward-looking in nature and may involve certain risks and uncertainties. A detailed statement in this regard is available in the Q4 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."



Nikhil Chopra:

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

I will commence with the “Perspective on our Quarter 4 Performance”:

FY24 is yet another year when JB has maintained strong operating momentum. JB continued being one of the fastest growing domestic businesses in India as per Indian pharma market.

During Quarter 4, revenue saw a rise of 10% to INR949 crore, while operating EBITDA expanded by 15% to INR240 crore, underscoring efficiency and execution strength.

Net profit notably improved by 15% to INR146 crore, reflecting improved margins and disciplined cost management. This performance has been underlined by the growth in India branded formulations, our CDMO platform and carefully chosen international markets that align with our strengths.

Our gross margin was 66.1% during Quarter 4 marking an improvement over the previous year.

Our operating EBITDA margin stood at 25.3%, representing an increase of 90 bps.

I will share “Some Views on our Domestic Business”:

The domestic business reported a growth of 11% year-on-year to INR519 crore in Quarter 4 FY25. As per IQVIA, we have delivered 13% year-on-year growth in the quarter as compared to 7% growth for the industry.

As per IQVIA, our chronic portfolio showed 16% YoY improvement in Quarter 4 FY25, whereas acute portfolio increased by 10% and our ophthal business recorded a growth of 22% to INR56 crore in Quarter 4 FY25. These are all IMS figures.

Clearly, we believe that we have one of the most progressive domestic formulation business, which has been demonstrated by our business consistently outpacing industry growth for the last five years now.

We have also done well on the prescription front with our prescriptions growing at 17% CAGR over the last four years.

We now cover around 3.5 lakh doctors across specialties.

Interestingly, majority of our portfolio is in fast-growing segments leading to growth prospects.

Around 75% of our business is generated from the segments that are progressive and growing faster than the IPM.

As we have been sharing in the earlier commentary also, our chronic mix continues to improve and our chronic business is growing significantly faster at a growth rate of 18% as compared to IPM chronic growth, which is at 10% as per IQVIA MAT March '25 data.

In the cardiac segment we have moved five ranks and now are ranked #8 in this therapy. Also, we have three brands among the top-20 brands in cardiovascular therapy.

Through emphasis on building and scaling brands, we are consistently placed ahead within the IPM on the growth. We have now six brands among the top 300 brands in the country, which Sporlac being the new entry in the top 300 brands in the IPM.

Around four years back we had eight brands whose revenue was more than Rs.20 crore, currently, we have 25 brands whose revenue is more than Rs.20 crore annually and six brands where the revenue is more than Rs.100 crore annually.

We have shown a sustained improvement in the field force productivity, which now stands at 8 lakh PCPM as compared to 4.6 lakh in FY21.

All our acquisitions have integrated well and helped strengthen our position in the industry.

The Sporlac franchisee has risen from Rs.69 crore to Rs.134 crore as per IQVIA MAT '25 data in the last three years.

Azmarda that is Sacubitril, Valsartan is now INR70 crore and Sacubitril, Valsartan market is expected to grow at around 15% to 20% over the next 10 to 15 years. The recent franchisee now is Rs.99 crore in two years, which was Rs.67 crore two years ago.

Moving to “Our International Operations”:

Quarter 4 saw a high single digit growth, that is 9% to Rs.430 crore for our international operations with CDMO business driving the entire growth. CDMO grew at 18% at a revenue of Rs.129 crore for the quarter. Our position as one of the top five global CDMO player in Los Angeles reflects the strength of our capabilities and deep relationships with our marquee clients. We saw 6% improvement in our international formulations that is branded generic business to Rs.282 crore backed up by double-digit growth in Russia and branded generic exports.

Going forward, I see our international business gaining further momentum through new product launches, geographical expansion and a more focused CDMO strategy.

Our ability to co-create with our global partner supported by world-class infrastructure and R&D capabilities, positions us well to drive sustained high quality growth in this segment.

As we look ahead, I remain confident in our ability to sustain growth across our core businesses in India. Our focus will be on scaling our larger brands, deepening our prescription share in recently acquired portfolio and further strengthening our presence in chronic therapy. We expect India and CDMO businesses to contribute 75% to 80% to overall revenues in the medium-term. The India and the CDMO businesses are high ROC and high operating margins, which will further enhance profitability of the organization. At the same time, we remain committed of delivering profitability and we are raising our operating margin guidance for the third year in row. EBITDA margins will be in the range of 27% to 29%. Once again, I will repeat, we are revising our operating EBITDA guidance for the third year in row. And our EBITDA margin guidance is now 27% to 29%. Underpinning all of this is our continued emphasis on the growth through planned execution. That brings me to the close of my opening script.

I would now like to hand over to our “Mr. Narayan to Share his Views.” Over to you, Narayan. Thank you.

Narayan Saraf:

Thank you, Nikhil. A very good afternoon to everyone joining us on our Earnings Call.

Let me take you through the “Key Financial Highlights for Q4 and FY25”:

For the quarter, we reported revenue of INR949 crore reflecting a year-on-year growth of 10%.

The revenue mix stood at 55% domestic and 45% international. Our domestic business contributed INR519 crore, registering a year-on-year growth of 11% in Q4. The international business delivered year-on-year growth of 9% with revenues at INR430 crore.

Our gross profit margin stood at 66.1% with a 90-basis points expansion, which is despite the in-licensed ophthalmology portfolio.

Operating EBITDA excluding ESOP expenses came in at INR240 crore, marking a year-on-year increase of 15%. The operating EBITDA margin expanded by 90 basis points to 25.3% in Q4 FY25.

Now, on the “Cost Front”:

Other expenditure as a percentage of sales reduced to 23.7 percentage by 80 basis points. We continue to maintain agility in enhancing operational efficiencies and managing expenses effectively. Finance cost saw a significant decline coming down from INR9 crore in Q4 FY24 to INR1 crore in Q4 FY25, mainly due to reduction in the gross debt. Net profit increased by 15% to INR146 crore.

Now on the “Financial Year 2025”:

Revenue grew 12% to INR3,918 crore with domestic to international business mix at 58%:42%. The domestic business witnessed 20% growth and as per IQVIA MAT March 2025 data JB grew 12% versus IPM growth of 8%.

On the international business, it saw 4% growth to INR1,649 crore. In international formulations, Russia and branded generics export business witnessed double-digit growth.

CDMO saw a 3% growth, however, saw strong recovery in the second half of the year.

Gross profit for the full year stood at 66.4%, expanding by 30 basis points. Excluding ophthalmology portfolio margins increased by 130 basis points. Margins improved mainly due to a favorable product and business mix supported by ongoing cost optimization efforts.

On cost, non-cash ESOPs were at INR55 crore versus INR42 crore.

Depreciation increased from INR138 crore in FY24 to INR171 crore in FY25 due to amortization of acquired and in-licensed brands. Therefore, net profit increased by 19% to INR660 crore.

JB Pharma's operating cash flows in FY25 were reported at INR903 crore versus INR801 crore in the previous year.

In the pharma industry, we have reported one of the highest metrics on operating cash flow to operating EBITDA at 83 percentage.

Now, coming on to the "Balance Sheet":

ROC was at 32% versus 27% in FY24, while ROE improved to some extent at 19.2% in FY25.

As of 31st March 2025, net cash was at INR689 crore versus INR107 crore in the previous year.

For the fiscal year, the board recommended a final dividend of INR7 per share resulting into total dividend of INR15.50, including of the interim dividend of INR8.50 per share.

We remain optimistic about the business outlook, and we are confident in our ability to continue delivering value to all our stakeholders. With that, I conclude my opening remarks, and I now request the moderator to open the forum for the Q&A session. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question comes from the line of Tausif from BNP Paribas. Please go ahead.

Tausif: Good afternoon and thank you for the opportunity and congrats on good set of numbers. And my first question is on India business. Can you provide the breakup of India business ex of Azmarda in terms of price, volume and new product launch for the year?

Kunal Khanna: So excluding ophthalmology, our domestic business overall growth has been close to 12% and the volume growth is 6%. Outside that, there is price and close to 1% of NI growth. And if you compare this with the market, the market volume growth has reflected externally has been sub-2% with respect to volume.

Tausif: Also, if you can share some qualitative insight on the chronic portfolio? I think that has significantly outperformed versus the IPM; we have grown by 18% versus the IPM growth of 10%. Can you highlight which of the segments which have outperformed for JB?

Kunal Khanna: So like Nikhil mentioned, our flagship brands continue to outpace the market and by a significant margin. Our mainstay chronic brands like Cilacar, Cilacar T, Nicardia and RACIL have consistently been outperforming the market. If you look at the MAT numbers has externally reflected as well. Cilacar Plain for us has grown at 19% while the market is 16%. This is despite the fact that we continue to inch our market share performance within the Cilacar franchise and are slowly graduating towards 60% market share in this particular plain brand. Cilacar T, we have grown at 37% compared to the market at 25%. Razel for us, even the plain Rosuvastatin has grown at 24% versus market 14% and including Nicardia Plain as well as XL has consistently delivered more than 20% growth over the last 12-months. So these have been the mainstays for us and clearly reflected in our outperformance of our chronic portfolio. In addition to that, even if you really look at the Azmarda figures and if you really look at the quarterly updates, for the Q4 in Azmarda, we have clocked 30% growth, whereas the market is growing at 20% and we believe as Nikhil mentioned

in his commentary also that this particular category will continue to hit mid-teens volume growth in the future.

Tausif: Thanks. My second question is on your brands. I think there has been a newsletter to expert panel recommended to suspend Rantac. Where do you stand currently means has the government has deferred the case to investigate further or is the final decision there will be no ban on the product?

Kunal Khanna: So there is no ban on the product, Rantac continues to be made available to the patients given its very strong clinical efficacy and safety profile. The government has given some instructions in maintaining in manufacturers kind of closely monitoring the quality. This is something which we have been doing for years and we will continue to deliver on that.

Tausif: Thanks. I will get back in the queue.

Moderator: Thank you. Next question comes from the line of Rashmi from Dolat Capital. Please go ahead.

Rashmi: Yes. Thanks for the opportunity. Just on the export formulations side, especially in Russia, South Africa and your other branded generic export market, what kind of new therapies or the products in different category are we doing the same what we have added in India, I mean all these products are also getting exported to this branded generic market. So what is the strategy which you are playing in this market? And how should we see the growth for the export formulation business ex your CDM and API business?

Nikhil Chopra: So our international business is contributing around 45%, which includes US, Russia, South Africa, branded generics and CDMO. Our branded generic business is in four clusters, that is in Sub-Saharan Africa, Latin America, Southeast Asia, Middle East. And in that part of the world, 50% of that business comes from participation in tenders. What we have been doing for the last three years is filing progressive portfolio, which we have in India, which is a mix of Gliptins, Glanzins, product for heart failure, eye drops and those all products will start commercializing in early FY27. That is where we stand. And you should see growth for this business when this new product start commercializing. This quarter the growth was 10% for that BGX business. And probably FY27 onwards with the new progressive portfolio, we should see a couple of points more coming in terms of growth, we should go to around 12% plus.

Rashmi: Okay. So you're saying that 10% for FY26 and then going ahead once it ramps up, it should be in double digit in FY27?

Nikhil Chopra: Yes.

Rashmi: Okay. And for the CDMO segment in the presentation you said that the order book remains strong in the coming few quarters also. It is more related to the seasonality factor or we have added new products or added new geographies over there? What is the guidance you give it on this part of the business?

Nikhil Chopra: If you look at the growth for CDMO for the quarter was 18%, that is what it is but that is not the growth for the year. Our average business that we do in the world of CDMO is around INR110 crore. That is the run-rate that we have been following and we continue to do business with our all-big clients across the globe. What we have shared in our report is going ahead, the company has been working progressively in last year on some big marquee projects, which more details we can talk about in the

coming time but what details I can give you is these projects are some new lozenges which you will see in the world of Europe and US, you will see some Pan India project that we are running with one of our partners in the world of ORS, you will see some developments happening in the world of throat spray for cough and cold in many markets across the globe, and also you should see iodine-based formulations maybe in the form of syrup and ointment which will see the daylight. So these are four or five big projects which we will be able to commercialize by the end of the year. And starting next financial year, our run rate that we assume with all these businesses is seeing the daylight which today is around INR110 crore every quarter should be around INR150 crore every quarter.

Rashmi: Okay. You mentioned that you'll be targeting US, Europe market. So this will be through partnership with the retail chain models or you will have a partnership with the companies or distributors. So what will be the strategy over there?

Kunal Khanna: Now in CDMO business, we are quite clear that we work with our principal partners and our principal partners are large consumer companies with global presence. Earlier we have voiced the kind of clientele profile which we have for our CDMO business. So we directly deal with them and of course they have an extensive network of distribution channel partners in respective geographies. So we will continue to build on the same model.

Rashmi: Okay. And one last question on your EBITDA margin. 27% to 29% is the ex-ESOP EBITDA margin guidance, right?

Nikhil Chopra: Yes, yes.

Rashmi: And what will be the ESOP number in FY26 and FY27 annual number if you can give?

Narayan Saraf: Yes, so the ESOP number in FY26 should be in the range of around INR41 crore to INR46 crore and FY27 would be INR26 crore. In totality, now the ESOP cost that we are left with is around INR75 crore, which would be charged over the next two to two and half years.

Rashmi: Okay. Thank you so much.

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

Sumit Gupta: Hi, good afternoon. Hi, thanks for taking my question. So first is on the domestic formulations segment. So sir, on this Azmarda, how much sales was for the quarter and what is the run rate of units per month and how do you see this volume going forward?

Kunal Khanna: So as we mentioned last time, we were targeting a run rate of close to 125,000 to 130,000 units per month. We are pleased to inform you that we have been able to maintain that run rate. By the end of H1, so in the next quarter we should be targeting a run rate of close to 140,000 units plus and we will continue to build on that.

Sumit Gupta: Okay. So sales for this quarter was around INR70 crore or INR75 crore?

Kunal Khanna: For Azmarda for the quarter?

Sumit Gupta: Yes.

Kunal Khanna: When we talk about INR70 crore, that's the annualized run rate for Azmarda.

Sumit Gupta: So for the next two to three years at least how do you see this INR70 crore panning out? Would we be taking price hike also?

Kunal Khanna: Of course, we are taking price hike also for this particular brand and the market is growing at mid-teens volume growth. So we clearly see that what is reflected in the market as a INR70 crore franchise, over the next two to three years we should be targeting INR100 crore Franchise for our Azmarda brand. As mentioned, we are looking at close to mid-teens volume growth and over and above whatever price growth we can accommodate, we will be able to build on that.

Sumit Gupta: Okay, great. And sir, what's the contribution from the top five products in India business?

Kunal Khanna: So currently the top-seven to eight brands account for close to 64% to 65% of our overall India revenues. Four to five years back, the top five brands accounted almost 84%. So that goes back to the point that currently we have a large set of progressive portfolio and platforms which are contributing to our growth and we will continue to do so in the future as well.

Sumit Gupta: So can we expect over the next two to three years at least this percentage to come down at around 50%, 55%?

Kunal Khanna: We can do a broad math. Basically, when we say that other products will grow, even our top seven, eight franchisees will continue to grow, right. So we don't have the exact number right now to kind of estimate that, but the endeavor is to continue to build on the big brands as well as drive significant growth in our other progressive portfolio.

Sumit Gupta: Understood, understood. Sir, broadly on the sector level so I just want to understand how the overall IPM market is growing so, previously like one year, one and half year down the line, like before it was growing at around 10%, 11%, 12%; however, the growth is at around 6% to 7% now. So how do you see this panning up, like are you seeing competition from alternate channels like how do you see that shaping up?

Kunal Khanna: So essentially, some of the volatility in the market tends to depend a lot on the seasonality. And last one year with respect to season acute has been slightly subdued, as a result of which we have seen the IPM market also being significantly subdued and volume growth has been a major factor. The market has still grown at close to 8% with the volume growth being close to 1.82%. What we believe is that when the season is good, the volume growth can come back to 4%, 4.5% numbers, which means that the IPM should potentially be pegged at 9% to 10%. So we are fairly confident that this is a market which will continue to be range-bound in the region of 8% to 10% going forward.

Sumit Gupta: On gross margin so you have highlighted like increased the guidance for operating margin, however from the gross margin perspective, how do you see that so, so shall we see improvement in product mix in gross margin, or will it be on the cost side?

Narayan Saraf: So we will continue to see in this FY26 as well around 30 to 50 basis points improvement in gross margin supported by certain cost initiatives that we keep on taking every year-on-year and obviously mix will also play a very significant role where in India business the chronic growing significantly ahead than the other businesses. So we clearly see both mix and cost initiatives will play a role in supporting around 30 to 50 basis points improvement in gross margin.

Sumit Gupta: Okay. And sir lastly on the depreciation part, so sequentially we have seen around 10-11% growth in depreciation. So basically like what is the run-rate and shall we see this depreciation rate going forward?

Narayan Saraf: Depreciation is mainly because of the amortization of intangible assets, which we have acquired over the years and particularly the ophthal business also acquisition happened last year.

Sumit Gupta: Okay. So going forward, how shall we see this, the rate overall -- 4% to 5% or more?

Narayan Saraf: It would be in the range of 4% to 5% because we continue to invest in our Capex. So we see the depreciation to be increasing only 4% to 5% supported by Capex and intangible asset depreciation.

Sumit Gupta: Okay. So the follow up on that is what is the Capex guidance for the next two years?

Narayan Saraf: Around INR100 crore over next two years, each year we continue to spend.

Kunal Khanna: Yes, we maintain our consistent INR100 crore run rate, maintenance close to 65, 70, another 25 to 30 for growth Capex.

Sumit Gupta: Understood. Thank you.

Kunal Khanna: Thank you.

Moderator: Next question comes from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.

Alankar Garude: Hi, good afternoon everyone. If I look at our international formulations sales for the last three years, we have been in that range of INR10 to INR11 billion. I understand we had the South Africa restructuring and then also the issues in the CDMO business in the first half of FY25. But directionally, how should we look at this segment over the next couple of years?

Nikhil Chopra: Good question, Alankar in terms of what analysis you have done. See, in CDMO, we had a big spike in FY23 because there the demand was drastically up. But now our partners have been also normalizing the inventory, and the inventory has normalized. So you will see CDMO business growing between 12% to 14% in the coming time. And I earlier shared the commentary in terms of what we are trying to do in the world of CDMO business with our existing partners and the new projects that we try to run. Second, around INR120 crore cut that we took in South Africa, business that is done because that was more related to the tender business which we did not want to participate. In hindsight, it has given us a good bump up in our profitability in our South Africa business, which is more now private business; 65% to 70% business is now private, which was earlier 40%. So that is on South Africa, BGX has not been a good story for us. And that is the way the business was modeled. 50% of this business was more tender participation in government tendering where we have been facing issues in terms of competitive pricing. FY27 onwards every year we have been filing around 8 to 10 progressive products in these geographies; these are 40 countries across in Sub-Saharan, Africa, Latin America, Southeast Asia and Middle East. So once that comes in, we will be able to generate better demand, we will be able to demand better pricing and then I think the business will be more on a pathway where we wanted business to go healthy around 10% to 12%. That is what you should see in the BGX business. Russia has been a very good story for us last year in terms of top line and profit margins. So South Africa, things are arrested, Russia on a good wicket, CDMO of 12% to 14% growth, FY27 onwards you will start

seeing BGX business growing basically it can 12% mid-teens growth but 10% growth you should see short to medium term, medium to long term 12% plus growth.

Alankar Garude: Understood, sir. That's really very helpful. The other question was on trade generics. What is the scale of our trade generics business today, and do we intend to focus a bit more on this segment going forward?

Kunal Khanna: We have always maintained that trade generics is not going to be our focus area. Some of the categories where we are present is by virtue of the fact that these categories are well served by distribution channels which go beyond tier 2 and tier 3 markets. It's negligible contribution to our overall India business and will continue to be so. So we are not focusing heavily on this particular segment.

Alankar Garude: Understood. Yes, that's it from my side. Thank you.

Moderator: Thank you. The next question comes from the line of Gaurav from Antique Stockbroking. Please go ahead.

Gaurav: Yes. Hi, good afternoon. Sir, India business has sequentially come down this quarter quite a bit. Any insight on that?

Kunal Khanna: Sequential numbers are largely because of the March phenomena, which has always been the case as part of the industry phenomena, where the trade also rationalizes the inventory levels. So it's got nothing to do with the demand of our products, prescriptions in the market, nothing like that, March generally tends to be soft for the industry.

Gaurav: Sir, we have grown significantly faster than the market in India over the last few years. You did allude the India market growth where it's going to settle. How -

Kunal Khanna: We have always maintained that we will maintain a three to four percentage points higher than market growth. We have been able to deliver that over the last four to five years and our portfolio is well poised to continue to build on that.

Gaurav: And have we made new launches in the diabetes space in Q4 of this year?

Kunal Khanna: No, we haven't made any new launch in the diabetes space in Q4.

Gaurav: And going forward do we have some pipeline there that we want to launch in the next two years or three years?

Kunal Khanna: So we always continue to evaluate opportunities, but beyond that, we wouldn't want to divulge any information.

Gaurav: Okay. Understood. In terms of in-licensing portfolio for us, in terms of percentage of sales, how large would that be for the India business?

Kunal Khanna: So currently, if you really look at our in-licensing, it's largely for the ophthal portfolio, but that is also an interim arrangement, because the main rationale for us to acquire the ophthal portfolio was the fact that perpetual license will figure in December 2026, which will significantly push up our gross margin profile. Outside that, we really have nothing much. There is one product, a very specialized product which is a lipid-lowering agent. But apart from that there is no other in-licensed portfolio.

Gaurav: Sir, the in-licensed portfolio will be contributing to EBITDA today too, while lower gross margins, but it would be EBITDA positive, right?

Kunal Khanna: It is a EBITDA positive in the ophthal, portfolio that's correct. And as we have mentioned earlier as well that post perpetual license triggering it will be significantly EBITDA-accretive.

Gaurav: So if you can explain this a little further, what happens for CY26 -- do we get ownership of these brand names?

Kunal Khanna: That is correct. So we have already discussed the details about this arrangement which we have on the ophthal portfolio. In December 2026, the perpetual license gets triggered and we are full-fledged custodians of these trademarks.

Gaurav: And in terms of your appetite for more inorganic kind of opportunities in India, be it on the licensing side or acquisitions, what would be appetite and can we see some plays in the next two to three years?

Nikhil Chopra: So let me answer this. We look at opportunity in the therapeutic areas which are more aligned to the strength which we have in execution. So we earlier also in our commentary, have shared that can go up to 1.5 times of our EBITDA in terms of buying out any company, buying out brands. But we look at asset which is more quality base in a growth market and progressive. And the payback period that in place when we commit for any acquisition is seven to eight years. Thank you.

Gaurav: Thank you.

Jason D'Souza: Operator, we have a few questions that have come on the question queue. I'll just address that and then you can even open the floor for the questions. So I think the one question is on the ophthal business. What has been the current run-rate and what do we expect in terms of the current run rate for ophthal in the next two or three years?

Kunal Khanna: So the ophthal business is on a positive track. Like we had mentioned earlier during the time of acquisition as well, when we acquired the portfolio, the quarterly run rate was close to INR40 crore. Our first milestone was that over the next nine to 12 months, how do we inch this towards a INR45 crore quarterly run rate mark and we have been able to achieve that. As we move ahead, we look at the market growth opportunities. We are clearly seeing that from a quarterly run rate perspective. This is already inched towards INR48 crore run rate mark and we will continue to build on that. Our strategy in terms of prescriber expansion has started yielding us good results. Even if you look at the last 12 months performance for the ophthal market, our growth has been close to 11% where the market has been very subdued at 4.5%. So we will continue to build on our strategy. New launches have also started progressing and contributing and over the next one year we will see more contribution coming in from these new launches.

Jason D'Souza: And how do we see the ophthal business playing out in terms of top line growth for the domestic business over the next 2-3 years and its impact on profitability?

Kunal Khanna: So when we look at the ophthal portfolio, we see that this is a portfolio which will be closer towards mid-teen. We clearly see us being closer to that mid-teen growth run rate for this business. Part of that will also be attributed to some contribution coming in from new launches. With respect to overall profitability, this year we believe that from an annualized run rate perspective, this portfolio will be close to INR200 crore plus. And given the fact that in FY27 also we will be targeting close to mid-teens. We

are looking at close to INR230 crore annualized run rate franchisee when the perpetual license triggers in. And when the perpetual license triggers the gross margin profile changes significantly from the current conventional margin profile of closer to 20%, it will be much closer to our domestic gross margin profile. One can do the math and that's the significant upside we see kicking in, in our overall profitability.

Jason D'Souza: Great. The second question that we have is that considering that the net cash position is increasing, how do you see other income over the next one or two years?

Narayan Saraf: So we clearly see that we have a significant net cash surplus in this year end and based on that and with the future cash flows that we will be generating, we clearly see that other income should be in the range of INR65 to INR70 crore next year as a treasury income.

Jason D'Souza: And we talked about new partners which will commercialize on the CDMO business, any color that we would want to give in terms of the CDMO partners?

Kunal Khanna: The important thing is what we are doing with current partners and selected new accounts, and as Nikhil clearly mentioned the kind of new projects which are to be commercialized over the next 12 to 18 months, which include lozenges with key marquee clients in newer geographies like Europe and North America, there's also LATAM opportunity throat sprays, ORS solution. So these are important projects. In addition to that, we have always maintained that our endeavor will be to add at least one or two more anchor clients every year and we are working towards that.

Jason D'Souza: Any update on the logistic cost in terms of the Red Sea issue especially on international freight?

Kunal Khanna: Pretty much the trends are consistent, no significant deviation from what the position was earlier.

Moderator: Thank you. The next question comes from the line of Rahul Jiwani from IIFL Securities Limited. Please go ahead.

Rahul Jiwani: Yes. Hi, sir. Thanks for taking my question. Sir, on the domestic business, our productivity has improved to 8 lakh already and given that the Novartis ophthal portfolio would also move announced to us by in FY28 how do you see the productivity shaping up for the domestic business over the next three-year period? And if you can also comment in terms of the profitability for the domestic India business with some of these moving parts?

Nikhil Chopra: So we don't talk about the profitability of individual business. Profitability I spoken about overall company, which I think has been shared earlier. But let me answer your first question. when we talk of 8 lakh productivity, you are talking in totality which is inclusive of our ophthal business and in the coming time you should see our productivity increasing by 12% to 14% over the next two to three years.

Rahul Jiwani: Okay. Sure sir. And while we appreciate that gross margins on the ophthal portfolio will increase, let's say from a 20% kind of a number to a company average number in FY28, but do you expect the entire quantum of benefit to flow down to EBITDA as well and hence drive a significant improvement in EBITDA margins in FY28?

Kunal Khanna: That is correct, Rahul. A significant part of the gross margin will flow through in the EBITDA. It's not a function of productivity being impacted or more people being added. It's basically sourcing profile changing and gross margin flowing into EBITDA.

And while we mentioned that we don't want to comment on individual business profitability, we have mentioned earlier that on a standalone basis, the ophthalmic profitability will be if nothing higher than our India business current profitability.

Rahul Jiwani: Sure, sir. So can you also talk about given that there is this risk around Rantac. Let's say in the worst-case outcome of you being required to withdraw Rantac from the market, what would be our risk mitigation strategy be?

Kunal Khanna: We would not want to comment on anything like that. For us, this is a product which has been pretty much been there in existence for so many years with a very strong safety profile and we believe that the government and the key stakeholders understand that very well and their request of manufacturers being much more vigilant towards quality is something which we respect and welcome so that some of the other low-cost generic players are pretty much cognizant of the quality parameters. As we speak, there are markets in which this molecule has been relaunched over the last six to eight months, which again is a very positive sign. And as manufacturers, we are committed to maintaining quality and government standards.

Rahul Jiwani: Sure, sir. And would it be possible to disclose the number of spreads which you would have for Rantac?

Kunal Khanna: It is part of our mass division and for that mass division it is not that Rantac is the only brand, there are a significant number of acute brands which we have in that particular division. So it's not that our division is dependent on Rantac. If nothing, Rantac is not even a priority product.

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

Moderator: Thank you. The next question comes from the line of Naman Bagrecha from IIFL Capital Services Limited. Please go ahead.

Naman Bagrecha: Thanks for the opportunity. Sir, just wanted your views on the API business. While it's a small business we have seen over the last two years, '24, '25, it has been declining. So how should we see this business going ahead, do you expect further decline and what were the challenges over the last two years?

Kunal Khanna: Actually, when we look at our API business, the third-party sale has always been dependent on one key product which is diclofenac and we had always witnessed that over the last four years that the market for this particular category was in a matured phase and in some geographies was declining. Therefore, we had taken a cautious call, how we can utilize the API business to maintain our own supply security as well as contribute more towards improving the margin profile of our US ANDAs. As a result of that we in-source some products and that is contributing to the profitability of our U.S. business. So we will continue to do that. We don't see a further decline even in terms of third-party sales from where things stand right now. It will pretty much be range-bound in what figures we are seeing over the last couple of years, but more importantly, how we are leveraging our infrastructure towards contributing more towards overall business profitability in terms of captive consumption. That has been our effort.

Naman Bagrecha: Okay. In the opening remarks, we highlighted that our progressive portfolio is growing much faster than the IPM growth. Can you enumerate what would be our progressive portfolio growth versus let's say the market growth of that particular category?

Nikhil Chopra: So very difficult, Naman, to talk about. See, we in totality are speaking and I think earlier Kunal had spoken that probably Cilacar market, Cilnidipine combinations, Nicardia, Metrogel, Razel, Azmarda. All this category if I have to give you some glimpses, we are beating the market growth that is where we stand. More details can be shared offline. And ophthal market also what was shared earlier are growing at 22% as compared to market growth of 11%, 12%. So we have been beating for 75% of our progressive portfolio within India beating the market growth in a significant way. That is what I can share. I think Jason can help you at some given time offline. If you want more details we will be more than happy to share.

Naman Bagrecha: Sure, sure. Sure. Thank you. And sir, the last question is on the dividend payout policy. So our dividend has increased. Is there any stated policy where you would want to maintain let's say 40%, 50% or 60% kind of a dividend payout?

Narayan Saraf: So our dividend payout, Naman, has been in the range of closer to 35% over last two, three years and we continue to be at 35% even for this year. So, I don't see any significant change in the strategy of our dividend policy.

Naman Bagrecha: All right. All right. Thanks. Thanks very much. All the best.

Moderator: Thank you. The next question comes from the line of Mohammed Patel from Edelweiss Public Alternate. Please go ahead.

Mohammed Patel: Yes. Hi. Sir, I have one question. Can you talk a little bit about the non-progressive portfolio and what are the management's thoughts on this portfolio going ahead?

Nikhil Chopra: See, the definition of non-progressive is what I think was spoken about that there are some brands within the Rantac franchisee, some SKUs within the Rantac franchisee, some SKUs within the Nicardia franchisee. So there are those type of portfolio which our people continue to give brand reminder in the clinic of doctor, there is no other strategy.

Mohammed Patel: Okay. So that part of the portfolio grows at least with the market or below market?

Nikhil Chopra: If you look at Ranitidine Plain, there is hardly any growth, it is at par with the market. In Nicardia we are 90% of the market. So we are only driving the market, now we are driving the entire market growth for Nicardia franchise with the help of Nicardia XL, Nicardia XL is growing at 25%, 30% whereas Nicardia Plain which is INR7 to INR8 crore is stagnant but more now your prescriptions profitability, everything has been driven by Nicardia XL which is around INR3-4 crore a month. So that is how we manage the portfolio which is non-progressive.

Mohammed Patel: Okay. Got it. Thank you.

Moderator: We take the last question from the line of Meghna Agarwal from Mount Intra Finance. Please go ahead.

Meghna Agarwal: Thank you for the opportunity, I just wanted to understand about the sale that is happening. Any timeline for that?

Nikhil Chopra: Which sale? You are talking about which sale? Sale of what? We are into Formulations.

Meghna Agarwal: I am asking about the sale of stake by promoter; what is the timeline for that?

Nikhil Chopra: It is very difficult for us to answer that question in this conference call. This conference call is more related to the performance of the business. So these questions will probably be more than; if it is promoter sale, in terms of what actions they want to do; we basically are at the top management where we are more focused on the business operations.

Meghna Agarwal: So no timeline as of now?

Nikhil Chopra: No.

Moderator: Thank you. Ladies and gentlemen, with that, we conclude the question-and-answer session. I now hand the conference over to the management for their closing comments.

Nikhil Chopra: So thank you all for attending the conference call today. This is the fifth year in row in terms of the way JB team has been coming, meeting you all and sharing the insights in terms of the way business is progressing in transparency. And couple of things that more I would like to talk business, business. I think anything and everything that we do at JB is best-in-class compliance and I think what was also shared that our plants also continue to get audited by US FDA, by other regulatory authorities and our people at the plants also have done a fantastic job in terms of facing those audits and not only no 483, no observations. That is what we can boast in terms of what we have delivered as a company. So whatever drugs we manufacture are best-in-class compliance. That is what I wanted to share and equally the focus continues to be on the business delivery in terms of driving better profitability, focusing more on India which contributes to the 60% of our business, CDMO contributing 12% of our business, and also some parts of RoW market which are more aligned to our strength, we will see how we can commercialize the new products and drive better growth and better productivity in the coming time. Thank you all.

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