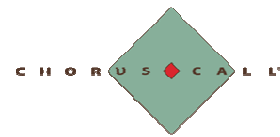




“Ipca Laboratories Limited
Q2 FY '25 Earnings Conference Call”

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MODERATOR: **MR. NITIN AGARWAL – DAM CAPITAL ADVISORS
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Moderator: Ladies and gentlemen, good day, and welcome to the IPCA Laboratories Limited Q2 FY '25 Conference Call, hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nitin Agarwal from DAM Capital Advisors Limited. Thank you, and over to you, sir.

Nitin Agarwal: Thank you. Good afternoon, everyone, and a very warm welcome to IPCA Labs Q2 FY '25 post-earnings conference call hosted by DAM Capital Advisors Limited. On the call today, we have representing IPCA management Mr. A.K. Jain, Joint Managing Director; and Mr. Harish Kamath, Company Secretary and Company Counsel.

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

A.K. Jain Thanks, Nitin and DAM Capital for organizing this call. Today's call and discussions and answer given may include some forward-looking statements based on our current business expectations. It must be viewed in conjunction with the risk that pharmaceutical industry business faces. Our actual future financial projections may differ from what is projected in pursuit. You may take your own judgment on information given during the call.

Business performance. Domestic formulation business delivered a growth of 11% for the quarter. Mid-September 2024, IPCA is ranked as the 16th player in -- as per IQVIA and the fastest-growing company among the top 20 players. IPCA has outpaced the industry in Q2 FY '25 and late September '24. Overall, IPM growth is around 8% and IPCA has delivered almost as per IQVIA around 13% growth. And mid-September '25, IPM growth is around 8% and IPCA has delivered around 14% growth.

Both on acute and chronic segment, IPCA has delivered better growth compared to the market. Acute segment in this quarter has grown by almost around 7% and IPCA growth is around 12%. And on chronic segment, your market growth is around 10% and we have delivered around 17% growth as per IQVIA.

IPCA continued to improve its market share. In Q2 FY '25, our market share has increased to 2.14% as against 2.04% in Q2 FY '24. And mid-September 2024, our market share is around 2.03% as against 1.92% in mid-September '23. So overall, there is almost around 11 basis point improvement in the overall in market share. And in second quarter, the improvement is almost around 10 basis points. We have now 6 brands among the top 300 brands in the IPM. CTD-T has now entered in top 300 brands list with 193 rank in mid-September 2024 with 88 rank gain.

On export formulation business, we have delivered around 15% growth for the quarter. The branded promotional business has declined by around 6% in this quarter. Generic business has

grown by around 8%, and institutional business in this quarter has grown by almost around 85%. So overall business growth has been around -- generic business, business growth is around 15% overall for the quarter. Overall API business has declined by around 5%. Domestic business has recovered and delivered a growth of around 14% for the quarter. But API business has come -- API export business has continued to show some kind of decline. And overall API business for the quarter is around INR319 crores as against INR335 crores in same period last year.

On margin front, our stand-alone margin for the Q2 EBITDA margin is 22.89% against 20.86% in same period last year, an improvement of almost around 2.03%. Our consolidated EBITDA margin for Q2 FY '25 is at 19.10% as against 17.64% for Q2 FY '24, an improvement of around 1.46%. The improvement in the margin is largely due to improvement in product mix, lower input costs and lower manufacturing and other overhead. Both the stand-alone and consolidated EBITDA margins are better than the guidelines given before the FY '25.

Having giving the broad numbers, now I request participants to ask questions.

- Moderator:** The first question is from the line of Kunal Dhamesha from Macquarie.
- Kunal Dhamesha:** So sir, the first question on the FY '25 outlook that we had provided earlier on the top line -- consolidated top line and EBITDA margin. If you can update us after H1 performance what are your revised expectation for the full year '25 have a further impact on consumption? Some of the banks in the recent phone calls have also highlighted...
- Moderator:** Mr. Kunal, your voice is fluctuating. I would repeat -- I would request you to repeat your question.
- Kunal Dhamesha:** Is it better now?
- A.K. Jain** Kunal, in the background also some noise is coming.
- Kunal Dhamesha:** Sorry, sir, sorry, sir. Is it better now?
- A.K. Jain** Yes, better now.
- Kunal Dhamesha:** Sure. Sir, I just wanted to ask, we had provided some guidance on top line and EBITDA margin on a consolidated basis with the H1 performance behind us, what would be your updated expectation for FY '25?
- A.K. Jain** If you look at our margin side, our guidance for stand-alone margin was around 21% as against that -- I think, yes, incrementally, we have delivered around 22.89%. And therefore, overall, for the full year overall -- your -- standalone EBITDA margins are likely to be around 22% as against 21% guideline. And the similar line, overall consolidated margins will also be better. Overall growth projections given for the whole year was around 10% to 11%. As against this, for the whole of the financial year, we will have a growth of almost around 9% to 10% now.

Kunal Dhamesha: Okay. So probably at the absolute EBITDA level, more or less the same because lower top line and the margins. Sir, for the Unichem business in terms of synergies, where are we in terms of achieving those synergies? What have you already realized in this results in the last couple of quarters? And where do we see that going in the next 3, 4 quarters?

A.K. Jain Unichem, we have taken over -- we have spoken about many synergies part. As far as your Unichem sourcing product from us, work is still going on. That portion has not started, which will also have some kind of cost reduction for them, a few of our APIs, which they are currently buying from outside. And I think May, it may take around 5, 6 months.

So in current year, practically nothing of that nature will happen. We also talked about Unichem's improvement in the API processes, where I think almost around 6 products, we have reduced overall their manufacturing cost and validations are over. Now all these 6 products, the improvements are almost around somewhere between the 25% to 30% reduction in API.

Now the whole process of filing and then taking approval and that will start. Fixed product increment is already done and the balance is in pipeline already. And as far as the procurements are concerned, a lot of benefit has already come as buying are now shaken up by the common group. And whatever IPCA benefits are there in terms of lower your pricing, that all got extended to the Unichem also. So those advantages come.

As far as market extensions are come, there are a lot of work are in pipeline and we said that it is going to take a little longer time because it's post validation then stability studies and then filing in the market and all that. So this may take one more year to -- for that kind of things to start, only the products where the -- no further bioequivalences are to be done and wherever straight away your U.S. dossiers can be filed in Europe and various other markets.

So that process is going on. Right now, a few products are already filed, which approvals are yet pending. Larger product range to extend to the other market is going to take another almost around 1 more year because it's all regulatory process and what of data needs to be generated. But our initial calculations, where we were talking that on second year onwards, we should be able to get around INR200 crores kind of EBITDA margin.

I think that will surpass in the current year itself. In first half of the current year, the EBITDA margin of Unichem is INR113.75 crores. All these improvements will keep on coming in the filing, the approvals are received and all that. So the process is going on.

Kunal Dhamesha: And sir, last one, if I may. How is our own US business shaping up now since we have the plant clearances? Have you launched any products? And how is the uptake in those products?

A.K. Jain I think overall, we have spent almost around -- up to September around INR30 crores worth of goods to US, But most of the goods had reached to them at the end of the period, I think they are highly out of that almost -- which is INR1 crores, INR1.5 crores sales has happened and these were all in stock. And now sales will start reflecting from the third quarter onwards. So technically, it's not eliminated in consolidation practically in the power. So nothing major has

happened. We already sent these produces and another 3 are in pipeline. So I think current year, we will launch around -- almost around 6 products.

Kunal Dhamesha: And this is U.S. sales will be recognizing in our P&L directly or will recognize through Bayshore?

A.K. Jain No, we have said that Bayshore entity, wherever business is there, that was transferred to the Unichem. Because in order to have entire synergies that U.S. business will be done entirely under one umbrella. So we think Unichem is very bigger business. All these -- the Bayshore's business is already transferred to Unichem. And entire business will also be done through Unichem. So there are no duplication of the old marketing and administrative and all those kind of setup. It will be all done through Unichem.

Moderator: The next question is from the line of Dharmil from Dalmus Capital Management LLP.

Dharmil: Congratulations on really good set of numbers.

Moderator: Mr. Dharmil, may I request you to please speak up. Your voice is coming out as muffled.

Dharmil: Is this clearer now?

Moderator: Yes. Please proceed with your question.

Dharmil: My questions are again on Unichem. Earlier in the previous calls, you had given in balance of around INR2,000 crores revenue. So while in H1, we have all participants and somewhere around INR900 crores. So is the guidance still on the plan? Or I mean, where are we up to on the guidance? Is this still achievable for FY '25?

A.K. Jain I think overall business of Unichem may remain around INR1,850 to INR1,900 INR1,900 crores in the current financial year. Yes.

Dharmil: Got it. And EBITDA margins.

A.K. Jain EBITDA margins, let's say, first quarter was almost around 12.52%. Second quarter, it has improved to 14.35% Overall, I think it will remain 14% to 15% for the remaining period.

Dharmil: Got it. And 11% revenue growth in the current quarter for Unichem, can you break it down into how much was it volume driven and how much was price driven? And in general, what is the pricing scenario for...

A.K. Jain Pricing-wise, if you see that there is a margin decline is there, so pricing is hardly -- 1%, 1.5% kind of price declines are there. So overall, like I said, U.S. business has grown by almost around 12%, 12.5%. There is some decline in Brazil and overall contract manufacturing business has done well. So overall, for the second quarter, if you look at the overall -- on consolidated sales, it's almost around 9.4% improvement is there in current. And taking into the other operating income and others including, it's around 11% kind of overall growth is there in the further quarter.

- Dharmil:** Understood. And what would be the current capacity utilization in Unichem? And how do you expect it to ramp up over the next 2 to 3 years?
- A.K. Jain:** Let's say, overall, Unit 1 and -- Unit 1 at Goa and I think Ghaziabad, both these plants are having good capacity utilizations, maybe around the 70% to 80% kind of utilizations out there. Unit 2 Goa, this is a bigger unit and larger capacity. That's, I think, hardly around 20% kind of utilizations are there. So as the U.S. business and other businesses are extending the market of Unichem's product in various markets and filings and all that.
- With that, the capacities of Goa plant will be utilized. So as far as the Ghaziabad plant is concerned, as far as the Bambi plant is concerned, that utilization is almost around 30%, 35%. So those capacities -- and that plant is having all other approvals also, all the ROW market, European approvals and Australia and New Zealand. So there are so many markets, they have approvals.
- Dharmil:** Understood. And are there -- I mean, what is the trend in terms of product approvals in Unichem? Are there any pipeline of products to be launched in next 1 or 2 years?
- A.K. Jain:** I think we will continue to launch around 4 to 5 products every year.
- Dharmil:** Okay. And this would be entirely formulations only?
- A.K. Jain:** Yes, formulations yes.
- Dharmil:** Okay. And what could be your revenue guidance for FY '26 and '27 for Unichem?
- A.K. Jain:** So far, we have not burned it out. So we will let you know in the last quarter of the current financial year.
- Moderator:** The next question is from the line of Surya Narayan Patra from PhillipCapital India Private Limited.
- Surya Patra:** Sir, my first question about the U.S. business. First of all, can you give us some update about the Piparia unit -- USA compliance? That is one. And secondly, after the integration of the Bayshore Unichem with us, so in the way it has already been indicated that US business is going to happen through -- everything through Unichem.
- So while we are seeing a kind of a strong export growth number for Unichem, but IPCA's export growth has been muted consistently. So how should one think about the U.S. business going ahead for IPCA impacting the growth numbers? And that would be the question about the U.S. business, compliance of Piparia and the growth in the U.S. side.
- A.K. Jain:** All plants, we already received the approvals and also there is no pending issue as far as Piparia plant is concerned. So all IPCA plants are cleared already, which includes Piparia plant. So there are absolutely no outstanding issues anywhere.
- Surya Patra:** Okay. All the 3 units are cleared now.

- A.K. Jain** Yes, all 3 units are clear simultaneously, yes.
- Surya Patra:** Okay. Regards to the US business, since now everything is going to be routed through Unichem, and in terms of the performance so far, what we have seen in the recent quarters, Unichem is doing well, but our growth numbers are on the export side still the remaining muted. On the formulation side, can you just clarify what is really impacting here for us?
- A.K. Jain** As far as the branded formulation business is concerned, we have muted growth. In fact, in the first half of the current year, we have minus 2% growth on branded formulations. So that is largely because of all these currency fluctuations. And I think ruble from 80 level has gone to almost around more than 95. So that has reflected and a good amount of business comes from that market, so Russia and all.
- So that has a little impacted. I think from third quarter, I think in ROW market, we expect around 12% to 13% kind of growth. So all of the year, the business growth in ROW will revive and is likely to be around 7% to 8% kind of growth for the whole of the year so as far as this ROW market, branded formulations business.
- As far as your generic businesses are concerned, by and large, let's say, first -- as far as the European business is concerned, except UK, that business is good and we have reasonably good growth around -- we should have almost for the whole of the year, around 10% kind of growth. UK, there are certain concerns are coming on pricing and all and overstocking in that market. So probably this year, the UK business growth will remain muted only or there may not be any growth in that market. So that's the future. As far as Canada business is concerned, that business will have around 10% kind of growth.
- Australia and New Zealand in the first half was, because of some supply kind of constrain on APIs or certain APIs, and that has impacted the business. So that we expect the recovery because those shipments have started coming from outsourced API. So there will be recovery in those markets. As far as overall South Africa is concerned, we will see some kind of decline there because some tenders are lost there, and that business will have some kind of decline.
- So overall, we see a generic business -- your branded business to grow by around 8% to 9%. Generic business will also have a similar kind of growth. Distributional business will have a better growth this year because last year, the availability of injectables because of plant upgradations and installations of some additional machines and renovation part. So that -- for half of the year, that plant was not operating. So this year, there will be better growth in those businesses. So overall generics, we will see around 12% kind of growth for the financial year.
- Surya Patra:** Sir, this the institutional business this quarter, bump of what we are witnessing, it is not a one-off thing? It is sustainable.
- A.K. Jain** No, no, no. Last year in this period, injectables were not available.
- Surya Patra:** Okay. So now this is a kind of sustainable business and can see ramp up?
- A.K. Jain** Yes, yes.

Surya Patra: Okay. Sir, in regards to R&D. So now after the integration of the US business with Unichem, so how do you think about your IPCA's R&D versus Unichem R&D?

A.K. Jain Overall, Unichem R&D, let's say, we were doing some work on biotech that's completely stopped. They will continue to do work on formulation development for U.S. market and IPCA will also do. So the list will be some products, we will keep on developing, some -- Unichem will keep on developing. Some products where synergies are better in terms of our API basket, we will continue to develop. So both the teams will work on process development.

Surya Patra: In fact, in the current quarter, you are seeing a significant lower number for Unichem and other expenses which generally captures R&D. So hence, that is why I wanted to have some clarity. What is the kind of savings that we are seeing, whether it is from the reduced R&D spend on the Unichem side or it is something else?

A.K. Jain R&D spend of base is almost around 3% overall, the 3% to 4%, 3%, 3.5% will continue to be there. And Overall, R&D spend is also around 3% of the turnover for the company, IPCA and Unichem put together, consolidated number. So more or less, it will remain. Once our biotech plant is commissioned, which may happen during the, I think, in the end of the current financial year. Thereafter, once we start producing the batches and then clinical work -- and then the next financial year, the overall R&D cost may go up to around 4.5%, 4.25% here.

Moderator: The next question is from the line of Arun from FPL.

Arun: I hope you are hearing me well?

Moderator: Yes, Mr. Arun. Proceed with your question.

Arun: See, I just wanted just a few short questions and probably short answers as well. See, the PAT comparison, can you do sort of a ballpark figure as to how do we compare with domestic versus international? Because the revenue split as almost 50-50. Regarding the PAT, what is the percentage of domestic PAT and what is the percentage of international PAT, profit after tax?

A.K. Jain Normally, if you look at -- we don't divide that way, but we monitor the overall gross margin levels. And if you look at gross margins of -- we had better gross margins in ROW market compared to India market. We have -- the next business line is from -- gross margin-wise is the India business, India formulation business.

Then comes the business which we do in Europe, Australia, New Zealand and Canada. Gross margin, thereafter, I think South Africa are lower and U.K. also, gross margins are lower. And last comes is the API. So overall, we have highest gross margin or ROW branded. Next is we have domestic formulation. And we have good overall margins in Generics also.

Arun: Sir, regarding the domestic formulations, in fact, I was referring to only the last quarter's performance, then your 52% comes from anti-inflammatories or NSAIDs, which is presumably rated. Don't you think that there is overall dependence on one product? Or is it -- is the company planning to also develop some products which could probably give a balance?

A.K. Jain Let's say, pain management constitute of -- it's not NSAID only, it's completely pain management. So pain management has 2 segments. One is rheumatoid arthritis and osteoarthritis. And rheumatoid arthritis consists of a large number of products. And there, we have disease-modifying agents that are marketed.

They are more chronic than even cardiovasculars, but they are classified as acute. And rheumatoid arthritis, we have very strong leadership. We have more than 60% market share. In every product we market, we have market leadership. So that is also clubbed with pain management group. So it's not overdependent. Every product has leadership in your segment where we have a good number of products marketing for rheumatoid arthritis.

As far as your osteoarthritis and those segments are concerned, yes, Zerodol is -- the flagship brand is there. And -- but apart from that also, we have a good number of other brands are there, which is like a brand which is for etodolac and other drugs and some all marketing in the brand name of Pacimol and there are other brands are there. So -- and they also have a significant market share. So it's not only one product which has confronted. Zerodol is not the only product in pain management. So, it's completely -- risk is divided here.

Arun: Just one more question if you can allow me. Have the revenues of the value to the exclusivity started churning? Does it come into the IPCA or it -- does it go to the Unichem? Because we have approvals of lamotrigine, etodolac, alendronate, risperidone and levocetirizine and all. Have these molecules started -- generics started yielding revenue? Or will it come -- reflect maybe in the near future?

A.K. Jain Some of those molecules, Unichem is already marketing in U.S.

Arun: Okay. Yes.

A.K. Jain Etodolac is IPCA products and that will be launched, I think maybe end of the year. So it may be, I think we always shipped 3 products and another 3 are in pipeline. So last will be etodolac.

Moderator: The next question is from the line of Nirali Shah from Ashoka Stock Broking.

Nirali Shah: I just have 2 quick questions. First one is that on the launches. So we have been planning to launch almost around 6 -- 5 to 6 products in FY '25. So if any color on these products, what therapies are we trying to target or geographies are we trying to target? If you could give some flavor on the how it will contribute our top line, any numbers, any word about number? And if not that, the market size of these products. So anything meaningful -- or any meaningful opportunity and data on this would be helpful.

Harish Kamath: Yes, as Mr. Jain has already explained, 3 products, we have already shipped to Unichem and it has landed in U.S. So whatever primary sales we have done, it got knocked off in consolidation because that product is not moved to the market. So there will be always a gestation period between the time we shipped to U.S. and those products started getting marketed. So by the end of the current financial year, we should be launching about 6 products in the U.S. market. That is what is our target. And whenever we were there in these products in

the earlier time, we used to have a very good market share. But gaining market share will take some time, but we are very confident these products will do well, as it was earlier doing.

- Nirali Shah:** So what kind of market share are we targeting?
- Harish Kamath:** For example, in U.S., maybe 10 years back, in most of these products, my market shares were anywhere between, say, 20% and in one product it was 80%.
- Nirali Shah:** Okay. That is helpful. And for example, from a 2 years perspective, we plan to launch around 13 to 15 products, so how are we planning now about that?
- Harish Kamath:** We will be shipping ship 6 products to Unichem US. Maybe identical number in the next financial year.
- Nirali Shah:** Okay. And...
- Harish Kamath:** Unichem itself also will be launching 5 to 6 of their new molecules in the U.S. market in the current financial year.
- Nirali Shah:** Understood. And my next question is what could be possible growth drivers from a 3-year perspective? Which geography do we see to be contributing the highest and followed by -- so basically, my question is what could be our possible growth drivers in terms of geography?
- Harish Kamath:** Practically, IPCA sales in U.S. today is currently 0. So you will see a very good growth in IPCA products being sold in the U.S. market going forward in the next 3 to 5 years. Similarly, one more opportunity will come. We will be taking Unichem products in all other markets where earlier they were not marketing, like ROW market, whole of Europe, Australia, New Zealand, Canada, So Unichem will also benefit out of that. So as an entity IPCA Group will see a very good growth going forward in the generic formulation business.
- Nirali Shah:** Understood. Just a last one, if I can squeeze in. On the supply chain issues. So are we still facing any disruptions that persisted in Australia and New Zealand?
- Harish Kamath:** Nothing as such. No issues. Problem was there in the second half of the last financial year, non-availability of one material, which we already bought in the current financial year. And the business has already started. So as we speak, there is no problem as far as material-related issues. There is no issue.
- Moderator:** The next question is from the line of Kunal Dhamesha from Macquarie.
- Kunal Dhamesha:** On this U.S. business arrangement that the U.S. business or the IPCA U.S. product will be sold by Unichem. Will there be any transfer pricing be there where IPCA will account for some profitability given our stake in Unichem is around 70%. So how the economics basically work out for us when we sell our product through Unichem?
- Harish Kamath:** Kunal, if you recollect, whenever we were earlier there in the U.S. market, it was only similar line, correct? Our products were marketed by other marketing partners on a profit-sharing

arrangement. So similar way, Unichem operation will be done. So we will sell our products to Unichem US. There will be a margin in our sales. And US level, there will be profit sharing arrangement also, both. And most of these products are also backed by my own API, so there will be some benefit out of API manufacturing also.

Kunal Dhamesha: Sure, sir. Understood. And on the generic business revenue, Jain sir told that the growth guidance of around 12%. Is that for the remaining part of the year? How should we think about it?

Harish Kamath: Yes, for the second half of the current financial year. But overall, including the first half and second half, the generic business should grow anywhere between 10% to 12%.

Kunal Dhamesha: Sir, for generic business, first half is only 2% growth, right? So then...

Harish Kamath: I understand because the shipment of IPCA did to Unichem US. So because it was still remaining as a stock in Unichem on hand, it has got knocked off in the consolidated business. I'm talking here consolidated business, not stand-alone.

Kunal Dhamesha: Correct. So probably INR30 crores -- or INR60 crores additional, and then there is a base business is that the way to understand? You would have signed maybe 1 quarter inventory.

Harish Kamath: Yes, yes, that is right, yes.

Kunal Dhamesha: Okay, okay, okay. And sir, just one on the India business. What's the current sales force in the India business. And after addition, how is the productivity coming along for the India business in terms of sales force?

Harish Kamath: We currently have about 7,000 medical reps in the field. And whatever guidance we had given earlier, all the additional people are contributing in the same way what we initially thought. There is no issue absolutely. So they will become productive division-wise between 2 to 3 years.

Kunal Dhamesha: 2 to 3 years.

Harish Kamath: Some divisions, productivity will be faster than the other divisions like cardiac and all. So as per our plan, everything is moving. There is no issue.

Kunal Dhamesha: Okay. Got it.

A.K. Jain And, Kunal, if you look at around 4.62 lakh for the first half of the current year compared to 4.36 lakhs in the last financial year same. So overall, there is a good improvement in overall productivity in spite of addition of the people.

Moderator: The next question is from the line of Zain from Dolat Capital.

Zain: Just wanted to ask a question against institutional business, can you repeat the guidance for the business for FY '25?

Harish Kamath: Which one? I think you're not -- you're voice is breaking. Hello?

Zain: Am I audible now?

Harish Kamath: Yes, you are audible now. Yes.

Zain: So I was asking, sir, about institutional business guidance for FY '25.

Harish Kamath: See, we have earlier also explained this institutional business consists only of antimalarial formulations. So this business will fluctuate anywhere between INR300 crores to INR400 crores going forward. I'm talking annual business.

Zain: Okay. And sir, for India business guidance for '25?

Harish Kamath: So whatever guidance we gave in the beginning of the year, anywhere between 11% to 12%, we stand by that. There is no problem.

Moderator: The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services.

Tushar Manudhane: Sir, just with the earlier comment of the pecking order of the gross margin. So just a clarification, so even at the EBITDA margin level, would be ROW-branded generics would be higher than domestic formulation?

Harish Kamath: Yes, yes. Even at EBITDA level.

Tushar Manudhane: Okay. Sir, secondly, with respect to relaunches of the products from IPCA's plant, excluding Unichem products basically, so it seems it's almost about now 8, 9 years. So the price erosion in the products which we are supposed to launch, like compared to what we were there in 2013, '14, what kind of price decline would have happened in those products, specifically the ones which we are going to relaunch?

Harish Kamath: We don't see any price decline in them.

Tushar Manudhane: So price decline there, there is no price difference.

Harish Kamath: Better than what it was when we were there in the market 10 years back.

Tushar Manudhane: Interesting. I mean, was it because that people have -- I mean, the companies have exited, sort of reduced the competition? Or if you could throw some light?

Harish Kamath: In these products, we were having a very big market share. The moment we went out, the prices increased. They have moderated, of course, subsequently. But still it is now better than what it was 10 years back.

Tushar Manudhane: Got you. So considering these launches and subsequently in FY '26. So specifically Unichem - - specifically IPCA ex Unichem, what kind of U.S. sales one can expect in FY '26, if you can share.

- Harish Kamath:** It is too early to give the combined sales of IPCA plus Unichem as a group in the next financial year. As we progress, maybe in the subsequent con call, we will give the guidance. But whatever we said in the beginning of the year, our plan of launching 6 to 7 molecules in the U.S. in the current financial year, that is progressing as we anticipated.
- Tushar Manudhane:** And sir, lastly, on generics exports business, again. Like the first half numbers look lower. But in the base of second half FY '24 is also low. So that way then, will -- 12% will be still a good enough number because even if I go by the run rate of what we have done in 2Q, the growth will be really strong in second half FY '23.
- Harish Kamath:** I agree, but everything ultimately depends on what kind of market. See, the U.S. business, what we see, the market share improvement will be gradual. So it is very difficult to comment how much market share we will get in the immediate -- in the second half of the current financial year for the products which are already launched. So all that permutation combination and question marks are already there.
- That is why, we will do fair guidance in the latter half of the current financial year, maybe in the fourth quarter con call, what we are expecting in the next financial year as far as the U.S. business is concerned. Current year, our generic business should be anywhere between 12% to 15%. That is what is the guidance.
- Tushar Manudhane:** Even sir -- even if you go by the generics exports for the current quarter run rate when your U.S. product launches will be additional over and above this, still the numbers look quite strong for second half of FY '22.
- Harish Kamath:** There are challenges. As Mr. Jain has already said in the South Africa, where we lost certain tender products and in the U.K. market. Considering all that, we are giving a muted guidance. If the situation improves, we may do better than what we are committing. Because in the last year, second half, there was very good business from South Africa market. which looks today difficult.
- Moderator:** The next question is from the line of Arun from FPL.
- Arun:** So just trying to understand the protocol, see, if a product that is approved by the FDA in the orange book for IPCA, still, it can be better for marketing and distribution by Unichem. Is it possible? Or is it being done...
- Harish Kamath:** It is possible. Earlier also, whatever products which were approved in our name, they were getting marketed by other marketing partners. Every company does that, and it is the practice in the U.S. market.
- Arun:** In fact, I was thinking that products -- so that means only the manufacturing is the one, which is the key. Correct?
- Harish Kamath:** Yes, yes. Manufacturing has to be from the site from where the product has got approval in the -- by US FDA. That is the only requirement. Marketing can be done by any other company.

- Arun:** As far as IPCA is concerned, we have only Silvassa and Indore, which have the U.S. approvals, correct? The other...
- Harish Kamath:** Formulation facilities, Silvassa and Indore. And API facility, Ratlam.
- Arun:** Ratlam, okay. Is there any moves to make Kandla, Dehradun, Sikkim and all?
- Harish Kamath:** Purely for domestic market. From Kandla, we also cater to all other markets other than U.S. Europe, Australia and all, we're catering from Kandla. It is a better FM facility.
- Arun:** And we are satisfying all the observations of US FDA, correct?
- Harish Kamath:** Yes, yes. We have nothing outstanding as far as US FDA matter is concerned.
- Moderator:** The next question is from the line of Kunal Dhamesha from Macquarie.
- Kunal Dhamesha:** Sir, just one clarification. You said that the mix business guidance would include our U.S. revenue, which we have supplied. But then doesn't that U.S. revenue will go through a subsidiary, which is Unichem?
- Harish Kamath:** Was, but ultimately, it will get consolidated in my account because Unichem also is my subsidiary.
- Kunal Dhamesha:** Sir, but then like-to-like there is a confusion, right? The generic business has grown at 2%. We are guiding for 12%, and then we might end up our doing double counting.
- Harish Kamath:** That 2% growth was stand-alone IPCA, and guidance is for consolidated business. Ultimately, everybody will see consolidated business. For example, stand-alone business, I have done some sales from IPCA through Unichem, which is booked in my books. But that material just to reach the U.S. and it has not gone to customer. In the consolidated, it is knocked off. So consolidated is more important than stand-alone. So as far as generic business is concerned, better let us go by consolidated guidelines.
- Kunal Dhamesha:** Okay. So sir, would you -- at some point, will you change our segment reporting so that it helps us understand the businesses better? Because I think Europe is also now sizable business for us, right?
- Harish Kamath:** See, Kunal, what has happened, actually, the issue is confusion. We took over Unichem in the last financial year in the month of August. Anything we talk today is not comparable apple-to-apple. Because last year, consolidation of Unichem started in our books only from the month, say, from September. So last year, consolidation of Unichem was there only for 1 month and a few days. Whereas currently, it is there for all 6 months. So in the next financial year, the apple-to-apple comparison will become clearer, and we will be giving guidance market-wise consolidated guidelines as far as the generic business is concerned.
- Kunal Dhamesha:** In our consolidated top line growth guidance for this year is around 9%. Is that correct?
- A.K. Jain** Yes.

- Harish Kamath:** Yes.
- Kunal Dhamesha:** All the business included.
- Harish Kamath:** Correct. Right.
- Moderator:** The next question is from the line of Harshit Dhoot from Dymon Asia.
- Harshit Dhoot:** My next question is on the order expenses. We have the tender business, in which gross margin is directly playing to EBITDA. Our domestic productivity has increased a lot. Then still the data is a bit higher to see the way the business is getting ramped out. So is it fair to assume that the 27% -- I'm talking about a consol level, is 27% other expenses will continue going forward?
- Harish Kamath:** See, again, I said consolidated numbers are not strictly comparable because last year consolidation, Unichem numbers were there only for 1 month and few days. This year, it is for all 6 months. So that confusion will be there in the current financial year. From the next financial year, everything will be comparable apple to in. For example, in the current financial year, 6 months, my other expenses also include entire 6-month expenses of Unichem. Whereas in the last financial year, 6 months, it was only for one month and a few days. So you can't compare that.
- Harshit Dhoot:** No, see, sequential basis also, right, INR574 crores to INR637 crores. INR637 crores adjusted in the ForEx losses. Sir, I just want to understand the generics for the SG&A for these other expenses going forward. So I just wanted to understand how this operating leverage benefit will play out as we are focusing a lot on this.
- Harish Kamath:** You can take whatever run rate of other expenses in the consolidated first quarter and second quarter figures are there. More or less, it will continue. Don't see anything about last financial year. Current financial year, first quarter, second quarter, other expenses are all -- there is no exceptional expenses in that, that will continue.
- Moderator:** The next question is from the line of Kunal Randeria from Axis Capital.
- Kunal Randeria:** Sir, the October IQVIA data for India showed that the growth has slowed down to around 6%. So to your internal number also shows a slowdown?
- Harish Kamath:** No, we are growing as whatever we have projected and all of the year, our growth will be anywhere between 11% to 12%.
- Kunal Randeria:** Okay. All right. And just to kind of reconfirm, it's a broad-based growth, right, and not just at the European franchise?
- Harish Kamath:** No, nothing, nothing. When they were showing 15%, 16%, 20% growth also, we are growing around 11% and 12%.
- Moderator:** The next question is from the line of Shiva from Purnartha Investment Advisors.

- Shiv:** My first question is with respect to the U.S. thing. Earlier, when we were in 2013, 2014, '15. What was our total revenue in U.S. at that time? And if you could split between what was the formulations and API? And what was the profitability at that time?
- Harish Kamath:** Our total U.S. business at that time was around INR400 crores, including about INR150 crores, INR160 crores API business. And in both formulation and API business, including the share of profit, we had a very good EBITDA margin.
- Shiv:** Okay. So it was comparable to the ROE as well, the rest of the market was in the top.
- Harish Kamath:** Yes, yes, yes.
- Shiv:** Okay, okay. Great. And the second is with respect to your other businesses. Obviously, it's like somewhere around INR80 crores. Obviously, you said last time that you were working on that and you are seeing some progress. Over the last few quarters, it's been INR90 crores and INR80 crores subsidiaries revenue and earlier, it was slightly higher. If you could just throw some light what is -- how is the progress over there? And going ahead, how do you look at your subsidiaries revenue? This is excluding Unichem.
- Harish Kamath:** Subsidiaries, one is Trophic Wellness, which is doing reasonably well around 10%, 12% top line growth and maybe 15%, 20% bottom line growth. Trophic Wellness which is into nutraceutical business. Then other subsidiary is Onyx Scientific, which is into CRAMS business, and it is based out of U.K. There also the business is steady. This year, they have a certain issue about discretionary spending coming down in the market. But still, they will sustain their operation.
- Only subsidiary which is now not delivering, which going forward should do better is, Pishgah, which is out of U.S. They are also partly into CRAMS and partly into small-scale API manufacturing for the U.S. and other markets, where certain projects are going off. So these are our operating subsidiaries. Apart from that, we recently started marketing our own products in the U.K. market through our own subsidiary, IPCA U.K. So these are major subsidiaries, which are into business.
- Moderator:** The next question is from the line of Zain from Dolat Capital.
- Zain:** Sir, just one question from my side. Sir, generic business guidance, excluding Unichem is, for FY '25?
- Harish Kamath:** Excluding Unichem, So it will be around maybe 8% or so.
- Zain:** For the full year?
- Harish Kamath:** Yes, IPCA stand-alone.
- Moderator:** Thank you very much. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Harish Kamath: No, nothing. Nothing from our side. If there are no further questions, I think we can close this con call. And thanks all the participants for attending this con call organized by DAM Capital. Thank you all.

Moderator: Sure, sir. Thank you so much. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Harish Kamath: Thank you all.