“Ajanta Pharma Limited

Q2 FY ‘25 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day, and welcome to Ajanta Pharma Q2 FY 2025 Earnings Conference Call. 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Yogesh Agrawal, Managing Director of Ajanta Pharma Limited. Thank you, and over to you, sir.

**Yogesh Agrawal:** Thank you. Good evening, and welcome to all of you. With me, I have Mr. Rajesh Agrawal, Joint Managing Director; Mr. Arvind Agrawal, CFO; Mr. Rajeev Agarwal, AVP Finance and Investor Relations.

I hope the results are already there with you. So let me begin with the interim dividend. I am pleased to inform you that the Board of Directors have approved the first interim dividend of Rs. 28 per share for the face value of Rs. 2 per share, totaling to Rs. 350 crores. With this, the total payout in the current financial year becomes Rs. 701 crores, which is 90% of the cash flow from operations of the H1 FY 2025. This is in line with our commitment of prudent capital allocation.

We will now take you through business-wise performance for the Q2 and H1 along with the comparison of the previous year same period. Let's begin. We have completed first half of FY 2025 on a satisfactory note with notable achievements on sales, PAT and EBITDA. Branded Generic business, it saw a healthy growth of 19% on the back of our strategic approach and focused execution. It is a result of our consistent efforts allowing us to strengthen our position as a leading player in the pharmaceutical industry.

One of the achievements during the first half was our cash conversion ratio of 121% which were possible through our concentrated efforts of improving working capital cycle. This will certainly help us to improve our returns on investment going forward. We are confident of sustaining this momentum and driving continued growth in coming quarters.

Our excellence in terms of strategy and operational execution will enable us to deliver long-term value to our shareholders. Moving on to the business details. During the quarter, revenue from operations was Rs. 1,187 crores, a healthy growth of 15% from our total business comprising of 3 verticals: Branded Generics, U.S. Generics and Institution business in Africa.

During the quarter, 76% of the total sales came from the Branded Generics, which is spread across India, Asia and Africa. The sales stood at Rs. 894 crores, posting 20% healthy growth during the quarter. This business exhibits assurance, sustainability and potential for the long-term growth.

Let me now take up the international business, and I will first start with Branded Generics business in Asia and Africa, which contributed 44% to the total revenue. Let's start with Asia. In Asia, our presence spans across Middle East, Southeast Asia and Central Asia, encompassing around 10 countries. In Q2, sales was Rs. 293 crores against Rs. 230 crores, a growth of 28%. And in H1 sales stands at Rs. 572 crores against Rs. 484 crores, a growth of 18%.

During the quarter, we launched 6 new products taking total tally to 13 in the first half in the region. Let's move to Africa. In Africa, the business is spread across over 20 countries. In Q2, sales was Rs. 213 crores against Rs. 157 crores, a healthy growth of 35%. And in H1, sales was Rs. 443 crores against Rs. 316 crores, a growth of 40%.

We launched 1 new product during the quarter, taking total tally to 3 in first half in the region. The growth was a little elevated in H1, but will be lower in H2, as we expect the growth for the current financial year to remain in line with our guidance given -- of mid- to high-teens.

Let us talk about other 2 verticals of international business now. U.S. Generics. U.S. Generics contributed 20% to the total revenue. In Q2, sale was Rs. 232 crores against Rs. 237 crores, posting a small dip of 2%.

And in H1, sales was at Rs. 460 crores against RS.451 crores, a growth of 2%. The growth is in line to our guidance of mid-single digits as most of our launches in FY 2025 will happen in the last quarter of the year. Our superior execution continues to keep us as a preferred partner of choice for the distributors.

In H1 FY 2025, we have filed 4 ANDAs, received 4 final approvals and launched 2 ANDAs. We have 46 products available on the shelf and 22 ANDAs awaiting approval with U.S. FDA. Let's now move to the U.S. Institution business. This business contributed 4% in the total revenue, which comprised of antimalarial product. In Q2, sales was Rs. 43 crores against Rs. 37 crores, posting a growth of 16%. And in first half, sales was Rs. 85 crores against Rs. 102 crores, posting de-growth of 17%.

As informed earlier, this business remains unpredictable due to reliance on procurement agencies schedule and funds. Now I invite Mr. Rajesh Agrawal, Joint MD, to take you through India business. Thank you, and over to you.

**Rajesh Agrawal:** Thank you. Good evening to all of you. I'm delighted to share key highlights of India business. Our performance has been excellent on the back of increased volumes and new product launches. India business contributed 32% in total revenue. In quarter 2, sales was at Rs. 386 crores as against Rs. 355 crores, a growth of 9%. And in H1, sale was at Rs. 739 crores against Rs. 674 crores, a growth of 10%.

India business includes revenue from Trade Generic, which contributed Rs. 46 crores against Rs. 45 crores in quarter 2 and Rs. 87 crores against Rs. 81 crores in H1 in same period of FY 2024. During the first half, we launched 4 new products, out of which -- pardon me, during the first half, we have launched 11 new products, out of which 4 were first time in the country. We continue to outpace IPM by 190 basis points with Ajanta growing at 9.6%, surpassing IPM growth of 7.7% as per IQVIA MAT September 2024.

This trend extends to most of the therapeutic segments we are in, where our growth was consistently outpaced, has outpaced the segment growth. In Cardiology, our growth for Q2 as per IQVIA was 16% against IPM growth of 12%. Though on a MAT basis, we still lag due to price impact in one of our major products.

In the covered market, we continued to be fourth largest in IPM and among top 10 in all our therapeutic segments. As per IQVIA MAT September 2024, our faster growth is contributed mainly by volumes, which was about 1.5x to the IPM.

Cardiology contributed 38%, followed Ophthalmology 30%, Dermatology 23% with remaining 9% coming from Pain Management in the India Branded sales. We have added about 200 medical representatives during quarter 2, taking the total tally to 3,200-plus. This addition was in line with our strategy to increase -- strategy of increased focus and expanding product basket in the existing therapies.

I now invite Arvind Agrawal, CFO, to take you through the financial performance. Thank you, and over to you, Arvindji.

**Arvind Agrawal:** Thank you, sir. Thank you. Good evening, and warm welcome to the second earnings call of FY 2025. On this call, our discussions include certain forward-looking statements, which are projections or estimates about future events. These estimates reflect management's current expectations about future performance of the company.

These estimates involve a number of risks and uncertainties that could cause our actual results to differ materially from what is expressed or implied. Ajanta does not undertake any obligation to publicly update any forward-looking statement, whether because of new confirmation, future events or otherwise.

We will look at the consolidated financials and provide year-on-year comparisons. The key financial highlights for quarter 2 and H1 of FY 2025 are as follows. Total revenue in Q2 stood at Rs. 1,187 crores against Rs. 1,028 crores, posting growth of 15%.

In H1, the revenue was Rs. 2,332 crores against Rs. 2,049 crores, posting growth of 14%. This growth were in line with our guidance of overall revenue growth in low-teens in FY 2025 on the back of mid-teens growth in branded generic, mid-single digit in USA and de-growth in Africa institution business.

Our gross margin stood at 77% in H1, an improvement of 200 basis points from FY 2024. This was the result of higher contribution from branded generic business in overall revenue. We expect it to remain in the similar range with quarterly movement of 50 to 100 basis points due to a change in product mix.

Personnel cost in Q2 was at Rs. 261 crores, an increase of 17%. And in H1, it was Rs. 545 crores, an increase of 25% due to a one-time charge of over Rs. 30 crores for change in gratuity policy in Q1. Increase in medical representatives in India will see the costs slightly going up in coming quarters.

R&D expenses was at 5% of total revenue. In Q2, expenses was Rs. 57 crores against Rs. 50 crores and in H1, it stood at Rs. 108 crores against Rs. 105 crores. We expect the expenses to be around 5% of revenue for the fiscal. Other expenses in Q2 stood at Rs. 353 crores against Rs.259 crores and in H1, it was Rs. 615 crores against Rs. 534 crores previous year same period.

It may be noted that the other expenses includes forex loss notional towards mark-to-market of hedges of Rs. 26 crores in Q2 and Rs. 18 crores in H1 of FY 2025. As informed in previous call, the increase in expenses were in line with our guidance due to increased SG&A expenses. The expenses in H2 are expected to be in line with H1.

We achieved EBITDA margin of 26% in Q2 and 28% in H1. EBITDA stood at Rs. 311 crores against Rs. 291 crores, a growth of 7% in Q2 and Rs. 642 crores against Rs. 572 crores, a growth of 12% in H1 over previous year. If we ignore the notional forex loss in other expenses, EBITDA for Q2 becomes 28%. We expect the EBITDA to be around this range plus/minus 1% for whole of FY 2025.

Other income was at Rs. 19 crores in Q2 and Rs. 46 crores in H1 of FY 2025. It includes forex gain of Rs. 12 crores in both Q2 and H1. Income tax stood at 25% during Q2 and H1. We expect the same to be around 24% for FY 2025. In Q2, PAT was Rs. 216 crores against Rs. 195 crores, a growth of 11%. And in H1, it was Rs. 462 crores against Rs. 403 crores, a growth of 15%. PAT stood at 18% and 20%, respectively, for Q2 and H1 of revenue from operations.

We incurred capex of Rs. 130 crores in H1 FY 2025. Capex, including maintenance capex, for the FY 2025 is estimated to be around Rs. 200 crores. There was improvement during H1 FY 2025 in working capital days from FY 2024. Inventories stood at 67 days against 73 days and trade receivable at 81 days against 109 days.

Payable stood at 74 days against 85 days. This is the result of our consistent efforts in improving working capital cycle. In H1 FY 2025, we have generated a healthy cash flow from operations of Rs. 776 crores with cash conversion ratio of 121% and free cash flow of Rs. 322 crores with 70% PAT conversion. ROCE and RONW continue to improve and be comparable to the best in the industry. ROCE stands at 34% and RONW at 26% at the end of September 2024.

With these highlights, I open the floor for the question-and-answer. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sudarshan Padmanabhan from JM Financial PMS.

**Sudarshan Padmanabhan:** Congrats on great set of numbers. Sir, my question is to understand a little bit more on the other costs. So even if I remove this Rs. 25 crores FX, I mean I understand that you did say that there is going to be an increased SG&A, the amount seems to be on the higher side. So if you can explain whether the entire amount, the increase that we see between the first and the second end quarter, excluding the FX, is largely only the SG&A costs or is there anything else?

Second is, if I'm looking at the SG&A costs as well as the sales and the launches, we are heartening to see that we are growing much faster than the IPM, that's for sure, and the new launches is also something that excites us. In terms of volume, I mean, when I looked at it, while the industry itself is growing less than 1% and we are growing at around 1.2% and new launches is about 3%, can you drive some color with respect to the investments that we are doing into MR expansion and probably the SG&A? How do you see the volume growth for yourselves, say, in the next few quarters and few years?

**Rajesh Agrawal:** Okay. I'll answer the second part first. On the domestic business, as you have correctly pointed out, the industry volume growth versus Ajanta, we are growing at 1.5x the industry volume growth. The number of additions in the medical representatives that we have done have been very strategic with a view to optimize the coverages in the existing specialties more so.

So we have added strength a little bit to the dermatology segment where we have been doing exceptionally well for the last 3 years compared to the segment growth. We are also strengthening our pain management and also the cardiovascular. So this is what we have done. I think we should be able to continue to perform better than the IPM in the volume growth even in the coming few quarters. And on the first part of your question...

**Arvind Agrawal:** Yes. Sudarshan, I think as far as SG&A expenses are concerned, I think you must be remembering that in the first quarter also, I said that there are a lot of expenses, which have not been done and they will come in the second quarter. So if you take full half year, that is something which is the most reasonable amount which you should consider for the expenses side because as against Rs. 534 crores last year, we have spent about Rs. 616 crores. Out of this Rs. 616 crores, if you remove that Rs. 26 crores, which is exceptional, then we are talking about Rs. 590 crores, which is a very normal growth, which is there.

**Sudarshan Padmanabhan:** So that should be the number that we should be looking at from a reasonably longer term, not necessarily taking every quarter...

**Arvind Agrawal:** Yes, yes.

**Sudarshan Padmanabhan:** Sir, one strategic question from my side before I joined the queue. I think you have done an exceptional in terms of investing in SG&A in terms of the MR productivity on the businesses, I mean, the sub-segments that we are strong in, that's typically your cardiac, opthal, derma and pain. We see a very strong cash generation, I mean, particularly in the first half. How do you see yourself building your domestic franchisee?

Would it be more verticals to the four lines that you're talking about or is there more deepening in the sense sub-segments of the same cardiac and ophthalmology that you're talking about? If you can elaborate how you plan to deploy the cash organically, inorganically and develop the domestic side?

**Rajesh Agrawal:** It will be a mix of both the way we have planned we will definitely add more medical representatives to the current specialties in which we are present. At the same time, we are also exploring GTM, go-to-market, strategies to penetrate into some of the other newer specialties. So as they -- as there is more visibility, we should be able to make up our mind, take the decisions and decide whether we want to enter those specialties. So that -- all of that will take another 6 months for us to take a call on that. So it will be a mix of both.

**Moderator:** The next question is from the line of Foram Parekh from BOB Capital.

**Foram Parekh:** My first question is on the India business. So I see that the growth is up 16%. So I just want to understand how sustainable is this 16% growth? Though I understand we would continue to surpass IPM growth, but would it be in this high -- in this mid-teens or can we expect a lower double-digit run rate going forward?

**Arvind Agrawal:** I think, Foram, 16% which growth we are talking about because India business for the quarter has grown only 9%, no?

**Rajesh Agrawal:** Actually, one of the specialties is what you're referring to. So

**Arvind Agrawal:** You are talking about cardio only?

**Foram Parekh:** Okay, so 16% growth is of the cardio business?

**Arvind Agrawal:** Yes. Yes.

**Foram Parekh:** So overall, we should expect 9% to 10% kind of run rate going forward?

**Arvind Agrawal:** Absolutely…

**Rajesh Agrawal:** That's correct.

**Foram Parekh:** And second question is on the Asia side. If you could just explain what is going right? I mean what is strengthening our growth in the Asia region?

**Yogesh Agrawal:** It's an increase in the market share on the existing products, and there have been new product launches which we have done. And also, we've added the people, as you would have seen from our field increase in the last 2, 3 years. So a combination of all this 3, it is resulting into the healthy growth numbers for the Asia.

**Foram Parekh:** So we can expect the same run rate going forward as well?

**Yogesh Agrawal:** Yes. So I think for the quarter with the growth we have posted around Rs. 300 crores odd sales. So I think it has to be fair to take that kind of run rate going forward for the next quarter.

**Moderator:** The next question is from the line of Ankush Mahajan from Axis Securities.

**Ankush Mahajan:** Sir, my question is related to the US business. Now the US run rate is Rs. 222 crore, Rs. 230 crore from the last 2 quarters. So I'm just trying to understand, sir, if you throw some more light, what is your strategy for US markets for the next 2, 3 years, how -- what kind of a run rate that we can look and what are the new launches that we can expect in the US market?

**Yogesh Agrawal:** So we've had limited launches so far in the first half. And I think based on the price erosions and the new businesses which we acquired, this is the guidance we had given at the beginning of the year itself that US for the current year will be a mid-single-digit kind of growth, which we will be looking at. And things are going pretty much on the similar line. So I think we launched 2 products in the first half.

But in the next half, as I said, we are looking to launch around 4 products. So our growth rates will be slightly skewed towards the Q3 and Q4. And I think next year onwards, hopefully, we have more approvals, and we will be able to launch more products. So the growth rates for the next year onwards, I think, we'll just take a bet could be higher than what we are currently projecting for the current year.

**Ankush Mahajan:** So sir, what kind of run rate we can expect in upcoming quarters?

**Yogesh Agrawal:** It can be slightly higher than what it is right now.

**Moderator:** The next question is from the line of Abdulkader Puranwala from ICICI Securities.

**Abdulkader Puranwala:** My first question was pertaining to the second half of fiscal '25 in terms of revenue. So this quarter, we saw good growth in Asia and Africa. But I think in your opening remarks, you mentioned that Africa will closely move to that mid-teen kind of growth while India growth is also now expected anywhere between 9% to 10%. So I mean could you help us understand how should your second half of fiscal '25 look like? And second -- Yes, so that will be my first question.

**Yogesh Agrawal:** So as we have guided for the Branded Generics business for the whole year, we had given the guidance of going into the mid-teens. So we feel that we are on course to deliver that kind of numbers for the Branded Generics business. The percentage of growth in different territories can go up and down, let's say, right now, Asia is at the higher, which may taper down, Africa may continue at a higher level.

So I think combination of India, Africa and Asia for the whole year, I think we feel comfortable in giving the guidance of the mid-teens. Whereas for the US, as I said, it could be in the low single digit to mid-single digit for the US business and institution is very unpredictable. So we don't give the guidance for the institution business.

**Abdulkader Puranwala:** And my second question is pertaining to the freight cost. I mean, any improvement what you have seen into the kind of surge we are witnessing previously, or any thoughts/comments would be helpful.

**Arvind Agrawal:** No. Actually, the freight cost remains almost at the same level as we mentioned, it has been elevated because of the Red Sea problem. So, as we mentioned, the annual burden was about Rs. 30 crores, so in the half year also, there is some impact of that, which is definitely there.

**Moderator:** The next question is from the line of Kunal Randeria from Axis Capital.

**Kunal Randeria:** Sir, on the Asia branded business, has the non-Philippines, non-Iraq contributed a lot more than normal?

**Yogesh Agrawal:** No, we don't give out breakup of the specialty. It's the combination of that. It doesn't really matter. We look at Asia as one territory and which is what we share. So yes, unfortunately, we'll not be able to give you the breakup of the Asia business.

**Kunal Randeria:** Sure, not a problem. Not a problem. Okay. Sir, second question, again, is the fact that you have distributed Rs. 350 crores as dividend, I should assume that there is no inorganic activity on the horizon?

**Rajesh Agrawal:** So inorganic activity, as of now, clearly, we don't have anything. So -- but we can't rule it out for the future.

**Arvind Agrawal:** And anyway, Kunal, one thing which I mentioned last time also and now also I can repeat, that the M&A activity will not be dependent on this because I will have the flexibility of borrowing at any point of time, if there is some good proposal, which is there in hand. So, at the moment, there is nothing, so we are distributing because that's the better way to utilize the capital. But at any point of time, that is not going to be dependent on whether the cash is available or not available.

**Kunal Randeria:** Right. And just one more clarification. You mentioned that you added sales reps that in the Derma division, right?

**Rajesh Agrawal:** Yes. Derma, also in others, going ahead.

**Kunal Randeria:** So, my question is maybe if you're going to add 200, 300 every year, would it be largely derm-specific or it's just across the board?

**Rajesh Agrawal:** No, it will be across the board. We are also looking at some incremental additions in Cardiovascular, also in Pain Management. So, it will be across the specialties.

**Kunal Randeria:** Right. And this 200, 300 adding would it be annual kind of event or is it just for this year?

**Rajesh Agrawal:** So as of now, we have added those many for the first 6 months. Again, as I said earlier, the strategies are still being chopped out. And there is no said particular number that we have in mind that those are the number of medical representatives will add every year. So as and when opportunity presents itself, we will be adding. We are hopeful that in the next 6 months, we'll add some more in the current year itself, not frozen yet as to how many.

**Kunal Randeria:** Got it. And just 1 more, if I can squeeze in. In the last 2 or 3 years, you've added sales force in Asia and Africa. So, are you still adding in those geographies or is it done for now?

**Yogesh Agrawal:** Not significant now. There will be minor incremental additions. The bulk of the additions which we have done, I think that across markets, There could be incremental, maybe 2%, 3%, 5% at some most addition, not negative, not very sizable one.

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

**Tushar Manudhane:** Sir, on the gross margin side, maybe if I would have missed the comments, like sequentially, the proportion of branded generics is largely stable, but still the gross margin has improved by at least 130 bps, so if you could help us clarify?

**Arvind Agrawal:** It depends on the product mix, actually. So, within the business also in the Branded Generics business, there are different segments, etcetera. So it all varies from that point of view.

**Tushar Manudhane:** Okay. So similar gross margin can be expected for the coming quarters as well, right?

**Arvind Agrawal:** Depending on -- so that's why I said, variation can be there of 50 to 100 basis points, depending on the product mix which is there or the business mix, which is there.

**Tushar Manudhane:** Understood. And sir, earlier participants in one of the comments you highlighted that, I mean, as far as the Asia business goes, it would be like Rs. 300 crores quarterly run rate for the next two quarters, is that the guidance sort of to take for Asia business?

**Arvind Agrawal:** Yes, we can consider that way. That's what MD indicated just now.

**Tushar Manudhane:** Got it. So, Africa business, given that the base is sort of low in second half of FY '25 and India business is also growing reasonably well. We have already done 20% in Branded Generics for first half, so is mid-teens sort of a growth for full year '25 like sort of too conservative?

**Yogesh Agrawal:** No, I think that's a realistic growth which you can expect. I think Africa, the current base, I think it will taper down for the next quarter. Asia will sustain. But I think overall basis, when you put everything together, India, Asia and Africa, I think mid-teens is a realistic number, which we feel is doable.

**Tushar Manudhane:** Got it. And sir, lastly, I just finished on the EBITDA margin guidance for full year '25, if you could repeat that?

**Yogesh Agrawal:** So EBITDA margin guidance for the whole year from the beginning, we have said 28%, plus/minus 1% can be there depending on the market conditions and the product mix. So, we still hold it true for that. I think for the whole year, 28%, plus/minus 0.5% or 1%, that is the variation which can occur. So I think that is a realistic thing which you can consider.

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

**Rashmi S.:** Again, on this Africa branded business, the quarterly sales had actually declined quarter-on-quarter, is it something related to seasonality, or the supplies were higher in quarter 1 and that's why it got adjusted in quarter 2? And you also mentioned that in the second half, it would taper down. So, if you can just explain the strategy, is it something the seasonality effect or more to do with the supply stand?

**Yogesh Agrawal:** So, in the Q4 of the last year, our sales was slightly on a lower side, which was about Rs. 113 crores. At that time, we had mentioned that because of some supply disruption at that time, I think it was some strikes or something was there. So that's why some of the sales got pushed out into the Q1 of this year.

So, the Q1 was slightly having the effect of the Q4 pushed out into the Q1. And if you see from that Q2 and Q1 are quite comparable. So, for the whole year, I think we should be in a healthy position. I think quarter-to-quarter, year-over-year -- quarter-on-quarter, the kind of variations for the different reasons. They are not like sequentially. So, the best way will be to see the year-on-year growth. I think that kind of averages out the peak and valley.

**Rashmi S.:** So roughly in second half, we should see the same kind of Rs. 400 crores plus sort of like Rs. 230 crores, Rs. 220 crores of sales for quarter run rate it should be the stable sales to assume?

**Yogesh Agrawal:** No, no. For the next quarter, run rate will be slightly lower than this. Yes, yes.

**Rashmi S.:** Okay. Got it. And that is the reason you are guiding for the mid-teens sort of growth even in Africa branded business?

**Yogesh Agrawal:** Correct.

**Rashmi S.:** Okay. And 1 bookkeeping question on the interest expenses. Interest expenses have gone up significantly in the quarter 2. We don't have any debt, but your interest include from right to lease assets in that component, so anything to do with that? What is the number that we should look for the whole year because the number is pretty high Y-o-Y basis also and on quarter-on-quarter basis also?

**Arvind Agrawal:** Rashmi, I think you are right. So that is a little bit of elevated thing. It may remain a little higher than this because what is the -- for the quarter, what is the amount, which is there, you can consider that for the next two quarters.

**Rashmi S:** The amount, which is there in the quarter 2 you said, right?

**Arvind Agrawal:** Yes. Quarter 2.

**Rashmi S:** Okay. Thank you. That's it from my side.

**Moderator:** Thank you. The next question is from the line of Pankaj from IKIGAI AMS. Please go ahead.

**Pankaj:** Good evening. First on the working capital, the company has done a fabulous job both...

**Moderator:** Sorry to interrupt you, but we are unable to hear you.

**Pankaj:** Can you hear me now?

**Moderator:** Yes. Please go ahead.

**Pankaj:** Yes. So on the working capital, all of you have done a great job on receivable days and inventory, is it the optimum level and what has led to such sharp improvement on receivable days? It's really heartening to see. If you can just help us share your thoughts on the same?

And the second point is that from a whole business perspective, India business, Africa, Asia, all are doing well, but as for the other optionality for growth we are creating so that the way we saw in some of the other listed companies like, for example, Torrent, over a period of time different acquisitions helped them become a very large company. What are the other optionalities from a growth perspective, if you take a 3-year, 5-year view is the company working on. These are my two questions?

**Yogesh Agrawal:** Yes. So let me take the second question first. So we are looking at multiple growth drivers. One is we have a very strong and rich product pipeline under approval in various countries as well as under development in the R&D which we'll launched in the existing market. Number two, we are also looking into branching out into some other more therapeutic segments and they are very actively at advanced stage. They will be taken up for the execution in maybe quarters and next coming years.

In different territory, it may be executed at a different point in time. So that will be the second growth driver. As you would have seen that we have - last 2, 3 years, we've done a very big ramp-up in the field side in the international market. And as Joint MD has mentioned, for the first half we have addition of 200, there'll be some more addition during the year, so that will be another growth driver which is there.

And fourth is we are actively looking at entering into the new markets also. So it'll be premature for me to comment which countries and all, but there is some action which is there, or we think it is actually working very actively there. So there will be a number of initiatives which are there to help sustain the growth momentum. And in terms of acquisition, it is very difficult for anyone to time it.

So we'll see what opportunities we get and where we are in that point in time. So if that happens, then that would be another addition for the growth driver. So I think we have multiple growth drivers in place, we should be able to help continuing the growth in the future.

**Pankaj:** Okay. Great. That's good. On the working capital, if you can help us understand what has led to such sharp improvement and is it more sustainable in nature from that perspective?

**Arvind Agrawal:** Yes. I think as you must have seen, the Branded Generics business has gone up substantially. And whereas USA is not growing much. In Branded Generics the number of days is very, very low compared to US. So that's why you are seeing this improvement, which is coming in there.

**Yogesh Agrawal:** And there has been some improvement in the collections from the US business. So I think a combination of these.

**Pankaj:** That's good. So probably from an overall receivable and inventory days it can be assumed, are there some deviations, this probably could be sustainable now because we won't be growing US as aggressively as we were thinking earlier? So this will be more a penetration of the steady-state nature of the business?

**Arvind Agrawal:** Absolutely correct. Agreed.

**Pankaj:** So the cash flow generation could be quite strong as you move ahead as well?

**Arvind Agrawal:** Yes.

**Pankaj:** Thank you. All the best.

**Moderator:** Thank you. The next question is from the line of Vishal Manchanda from Systematix. Please go ahead.

**Vishal Manchanda:** In India, in the Cardiac and the pain segment, can you share the growth of the covered market and Ajanta Pharma's growth?

**Rajesh Agrawal:** So the covered market -- you wanted for Q2 or MAT?

**Vishal Manchanda:** Q2.

**Rajesh Agrawal:** For Q2, we have substantially outpaced the covered market growth in the Cardiac. We are at 16% whereas versus the covered market is at 8%. So as I said, this -- now in Q2, the MetXL impact, the price reduction that has happened in the year before last, has also almost gone away except for a month maybe. So the growth rates have bounced back. And similarly, in Ophthalmology, we are growing substantially faster than the covered market growth. And so is the case in Derma and Pain, all the four segments.

**Vishal Manchanda:** Okay. And would this new product launch the larger driver for the growth?

**Rajesh Agrawal;** No, it's almost at par with the industry, maybe slightly better. For the industry, the growth being contributed by new brand launches is 2.7%, whereas for Ajanta it is 3.1%. So it is better than the industry, but almost in the same range. It's mostly the volumes.

**Vishal Manchanda:** Okay. And just 1 final one. In your core markets within the emerging markets, by how much would you be outpacing the market growth?

**Rajesh Agrawal:** In the emerging markets in the sense, Asia, we have done well. I think -- so marketwise as we said, we don't share the breakup of individual markets, but in the region-wise, you have seen the figures already in Asia and the Branded Generics as well as in Africa, Branded Generics, we have done substantially better than our own last year performances as well as compared to the industry growth rates.

**Vishal Manchanda:** Okay. That is all.

**Moderator:** Thank you. The next question is from the line of Chandragupta an Individual Investor.

**Chandragupta:** Yes. Thanks for this opportunity. Sir, my question is about this Janaushadhi generic stores that government is very aggressively pushing for. So how do you view the challenge from Janaushadhi and what strategy do you have to counter it?

**Rajesh Agrawal:** Yes, you are right. The government is very active on the Janaushadhi front, and they would like to increase the number of stores outlets of Janaushadhi. The way we look at it is that is in a way complementing or serving the underserved market. And there is no competitive strategy or there is no competition against Janaushadhi in itself. So in that sense, it's bringing in a lot of unused or kind of underserved market into the pharma market. So that's all that is there, honestly, but if you look at the overall retail against, let's say, lakhs and lakhs of current chemists, Janaushadhi is still less than 15,000 stores. So in that sense, it's not the most significant challenge as such for the industry.

**Chandragupta:** So they are not gaining market share at the cost of branded products, is that what you are saying?

**Rajesh Agrawal:** Hard to say that because, as I said, the composition of the entire retail market, again, 7 to 8 lakh chemists versus 15,000 Janaushadhi stores, so we don't have a quantification from any third-party agency. But my guess is that's not the biggest issue they are not gaining as much as one may think on a larger scale.

**Chandragupta:** Okay. One final thing. How much is our NLEM portfolio now currently?

**Rajesh Agrawal:** 12% is the coverage. So our -- 12% of our sales is covered under NLEM price restrictions.

**Chandragupta:** Okay. 12% of the total revenue you mean, right?

**Arvind Agrawal:** No, 12% of India business.

**Chandragupta:** Okay, that's all from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Foram Parekh from BOB Capital. Please go ahead.

**Foram Parekh:** Sir, I just wanted to ask which 3, 4 growth drivers you alluded to one of the participants, may we assume that EBITDA margin going forward maybe in 1, 2 years down the line we can surpass 30% like other domestic-focused companies like Torrent?

**Yogesh Agrawal:** So Foram, normally, we don't give the guidance for the future years. We restrict our guidance to the current year, which is in the operation. Having said that, it's all going well. We have said in the past also. There is a possibility to expand the EBITDA margin. As you rightly said, if all those things play out and the cost structures are put in control, there is definitely a possibility to expand the EBITDA margin. So how much and all, I think once we finalize the business plan for the next year, that is the time where we are in better position to share the guidance there for the next year.

**Foram Parekh:** Okay. And sir, my second question is on the trade generics side. So could you please elaborate like, how is the segment shaping out, yes. And what -- I mean at what percentage is this segment growing? And what are the drivers for the growth?

**Rajesh Agrawal:** Primarily, segment is recording a fair bit of growth. Again, we don't have the industry -- pharma industry does not have a detailed breakup of it, it's not so closely tracked by any of the third-party independent agencies. So that's a restriction or a constraint there, let's just say that. But as we understand on a broader level, the growth rates are pretty healthy. And what is driving the growth is the same usual margin expansion that is there. For the trade and the channel. That is the only growth driver for, of course, many companies are much more active in the trade generics off late. So that is another factor that is playing out.

**Foram Parekh:** Okay. And what would be our contribution to the trade generic portfolio?

**Rajesh Agrawal:** Our contribution is -- in terms of percentage, it will be domestic 11%.

**Foram Parekh:** Okay. And do we envisage to take it somewhere further, or it would be hovering around the same level?

**Rajesh Agrawal:** I think more or less, it should be around the same level because we are also posting good growth on the pharma business side. And with generic -- trade generic also growing and pharma business also growing. I think to answer your question, overall, at a composition level, it should be around 10% to 12%. So I don't see that mix changing significantly in the next 1 or 2 years.

**Moderator:** Thank you. The next question is from the line of Shrikant Akolkar from Nuvama. Please go ahead.

**Shrikant Akolkar:** Just 2 questions. Question number 1 is on the domestic side. We had discussed some time back about the gaps in the portfolio. So where we are in the -- or in some other therapies. That is question number one. And question number 2 will be, if you can comment on the emerging market MR productivity?

**Rajesh Agrawal:** So on the domestic, you wanted to know on the newer specialty -- you were not very audible. Can you come again, Shrikant?

**Shrikant Akolkar:** Yes, sure. So there was a discussion that there are portfolio gaps in our therapies?

**Rajesh Agrawal:** Correct.

**Shrikant Akolkar:** Yes. So where we are in entering in new therapies?

**Rajesh Agrawal:** So as I said, the evaluation, we are at an advanced stage of deciding as to how and what will be the go-to-market strategy. So we are at an advanced stage for the new specialties. In the current specialties, we are addressing the gap areas wherever we don't have the coverage or if we already have the coverage, but the segments are very large, it can definitely have newer brands with new innovative products coming in. So that is how we are trying to play it out.

**Shrikant Akolkar:** Just frankly, pressing here, if you can share, if possible, of course, the therapies that we are thinking about entering at some point of time?

**Rajesh Agrawal:** It will be too early. I would rather talk about it once we have made up firm plans. It will be too early, and it would not be a wise thing to do at this stage.

**Shrikant Akolkar:** And on the MR productivity trend in the emerging market?

**Yogesh Agrawal:** So the productivity is around 7.5 lakhs approximately.

**Shrikant Akolkar:** Thank you.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Yogesh Agrawal for closing comments.

**Yogesh Agrawal:** Thank you, everyone, for joining this call. I wish everyone a very, very Happy Diwali. In case if there are any further questions that remain unanswered today, please reach out to our Investor Relations. Thank you. Happy Diwali to you, again.

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