



# “Ajanta Pharma Limited Q1 FY2023 Earnings Conference Call”

July 28, 2022



**MANAGEMENT: MR. YOGESH AGRAWAL - MANAGING DIRECTOR -  
AJANTA PHARMA LIMITED  
MR. RAJESH AGRAWAL - JOINT MANAGING DIRECTOR  
- AJANTA PHARMA LIMITED  
MR. ARVIND AGRAWAL – CHIEF FINANCIAL OFFICER -  
AJANTA PHARMA LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Ajanta Pharma Q1 FY2023 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 ‘\*’ then ‘0’ 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, our Joint Managing Director and Mr. Arvind Agrawal, our CFO. I am sure all of you have received bonus shares in your accounts. Coming to the results they are already there with you and I am happy to share that the quarter witnessed a strong growth momentum across all our major markets of branded generic business. I will take you through business wise performance for the Q1 along with the comparison of the previous year for the same period.

Let us begin with the emerging market branded generic business, which comprises of Asia and Africa. In Asia during the Q1 FY2023 our sales was Rs.240 Crores against Rs. 165 Crores posting a very healthy growth of 45%. Just a caution the growth appears a bit elevated primarily because of the slightly lower base in the Q1 FY2022, which was impacted because of the second wave of the COVID, which created some destruction at that time. Coming to Africa during the Q1, our sales was Rs. 168 Crores against Rs. 125 Crores, again posting a very healthy growth of 34%. Here also similar caveat that like-to-like in the earlier Q1 that was slightly suppressed because of COVID disruption, which makes this current Q1 looks a bit more elevated. But overall the branded generic business of Asia and Africa contributed to 43% of the total revenue during the Q1 and our exports in these markets were Rs. 408 Crores against Rs. 291 Crores, posting a very healthy growth of 41% of previous year for the same period. We continue to stay little sharp in these markets to identify the gaps and opportunities and we continue to execute very clinically so that we can post superior growth as compared to the markets. During the quarter we launched 10 new products in Asia and Africa across various countries.

Let us move to the US generic business. US business contributed 19% to the total revenue during the Q1. We registered sales of Rs. 179 Crores against Rs. 168 Crores posting a modest growth of 6%. This modest growth of 6% was despite the severe price erosion, which we have seen in the US market and also in absence of any new product launches. We continue to have 39 products on the shelf. During the quarter we filed one ANDA and also received one tentative approval. At the end of June 2022, we had 20 ANDAs awaiting approval with US FDA. So our filing for the quarter has started on the little slower side, but we have a number of products at the advanced stage of filing. So we will see the accelerated

filing in coming quarters in Q2, Q3, Q4 and with that we are still aiming to file 10 to 12 ANDAs in the FY2023.

Coming to African institution this business contributed 8% in the total revenue during Q1, we registered sales of Rs. 77 Crores against Rs. 54 Crores posting a growth of 44% over previous year same period. As I have been mentioning earlier, the institution business remains unpredictable, it depends on the funds availability and the requirements of the procuring agencies. So with this now I hand over to Mr. Rajesh Agrawal, our Joint Managing Director. He will take you through India business. Thank you and over to you Rajesh!

**Rajesh Agrawal:**

Thank you very much. Good evening to all of you. Let me discuss some of the key highlights of India business with you now. India business contributed 30% in the total revenue during Q1 FY2023. Sales stood at Rs. 279 Crores as against Rs. 229 Crores posting a healthy growth of 22% during the quarter. This includes sales from trade generic of Rs. 33 Crores against Rs. 27 Crores in previous year same period. We launched seven new products in Q1 FY2023 with two products being first to market. Our first quarter performance has been satisfactory and it has been on the back of new product launches, market share gain and price increase. As per IQVIA MAT June 2022, we had posted healthy growth in all the therapeutic segments and exceeded industry growth rates across all therapies. We have three of our brands appearing in top 500 in the IPM now. Again as per IQVIA we improved our ranking by 1 position to rank 28 in June 2022 from being 29th ranked in March 2022. We are glad to inform that we have also improved our ranking within therapeutic segments as well by one rank in cardiology and dermatology and by two ranks in the pain management segment over the last quarter. With this I will now hand it over to Mr. Arvind Agrawal, CFO to take you through the financial performance. Thank you and over to you Mr. Arvind!

**Arvind Agrawal:**

Thank you very much. Good evening, to all of you and warm welcome to this earning call. For needs of discussion, we will look at the consolidated financials and provide year-on-year comparison. Let me take you through key financial highlights for the quarter. It was an excellent quarter with 27% growth in revenue across all the market. Total revenue stood at Rs. 951 Crores against Rs. 748 Crores. Against the guidance, material cost of 25% to 26%, Q1 FY2023 raw material cost was at 29%. The reason for the same are one time inventory write-off of 2% due to expiry, increase in raw material and packaging material cost due to global inflation impacting about 1%, US price erosion is about 1%. From the above impact we will be able to recover 1% from the price increase we have taken across market and INR depreciation against US \$. So going forward we estimate the cost of goods sold to be close to 26% or in that range.

Coming to other expenses, we saw significant rise in the export freight cost. Pre-COVID our freight cost has been around 6%, which got escalated to 8% translating to almost Rs. 14 Crores adverse impact for the quarter. These external factors beyond our control have adversely impacted the profitability to that extent. R&D expenses were at Rs. 54 Crores against Rs. 45 Crores for the quarter. R&D expenses stood at 6% of revenue which will continue to be at this level. EBITDA for the quarter stood at Rs. 222 Crores against Rs. 220 Crores last year. EBITDA was lower in the quarter at 23% mainly due to the above factors mentioned by me earlier. Other income stood at Rs. 33 Crores in Q1 FY2023 mainly contributed by forex gain of Rs. 28 Crores. Income tax stood at 21% for Q1 FY2023 and expected to remain at similar level during FY2023. During the quarter PAT was at Rs. 175 Crores against Rs. 174 Crores, up 1% due to reasons mentioned earlier. PAT for the quarter was at 18%. We incurred capex of Rs. 43 Crores during first quarter of FY2023. Capex including maintenance capex for this year is estimated to be around Rs. 200 Crores. With these highlights I open the floor for the question and answer. Thank you very much.

**Moderator:** Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Tushar M from Motilal Oswal Securities. Please go ahead.

**Tushar M:** Thanks for the opportunity. Sir on this Africa branded generics, there has been a very robust growth for now past four quarters at least. If you could just elaborate as this has been much higher than the industry growth, so what is driving this and how sustainable is this growth over the next 12 to 18 months?

**Yogesh Agrawal:** No doubt, we have executed well in Africa, the combination of increasing our market share from the existing product, existing people, launching of new products and successfully taking the market share from there, also expanding of sales force there. The combination of that is in the healthy growth last year and the current quarter also. But as I mentioned in my opening remarks this quarter growth looked a bit more elevated than otherwise would have been because of the low Q1 of the last year. Without that also we would have posted 20% to 25% growth or higher than that. But going forward I think we can expect the growth to remain in the mid-teens is what we are looking to give the guidance.

**Tushar M:** Number of MRs is it increased in the region? At what level they are now?

**Yogesh Agrawal:** So, being a proprietary kind of information we are not giving out the region level field size, but in general we have seen the growth of about 8% odd in the field size compared to last year.

**Tushar M:** If you could just repeat the raw material related one time inventory write off?

- Arvind Agrawal:** One time inventory write off had an impact of about 2% on the inventory cost, which is due to basically expiry in the different market. Then we have the raw material and packaging material price increase due to global inflation that is about 1% and US price erosion is 1%. So total about 4% impact is there compared to what we have indicated earlier 25% to 26% indication, which was given earlier, I think there is an increase of about 4% and out of that the one time inventory write off is 2%, so that will not be there and other two, which are there out of that as I mentioned we should be able to recover about 1% from the price increase, which we have taken where we will get the full impact during the year. Also the dollar effect.
- Tushar M:** Sir, just as a clarification already 26% would be the EBITDA margin to look for FY2023?
- Arvind Agrawal:** Yes, you can say so I think 26% to 27% that is the range.
- Tushar M:** Got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Harsh Beria a Professional Investor. Please go ahead. As there is no response, we will move to the next question, which is from the line of Bino Pathiparampil from Incred Capital. Please go ahead.
- Bino Pathiparampil:** Just a question on the US business, the price erosion how are you looking at it last quarter versus the quarter before that and what is the latest that is what are you seeing right now versus what you saw in last quarter?
- Yogesh Agrawal:** I think this price erosion happened in the earlier quarter and thereafter it has stabilized. So we have not seen price disruptions in the current quarter, but whatever price erosions occurred in the previous quarter that effect will continue and which is what CFO has mentioned that 1% impact we are seeing in the cost which has got elevated. But for now the price erosion has a kind of tapered down significantly, they are quietened. We are estimating that probably the price erosion should come back to the level of 5% to 8%, which was the normal range also for the price inflation which will happen.
- Bino Pathiparampil:** Just one more question on the US market, you have this product filing generic version of Chantix, any update on when do you expect the approval for the product and launch?
- Yogesh Agrawal:** Unfortunately, I do not have the data which I can share with you, we are still working with FDA to seek the approval for that product, so there are some technicalities which are involved. Let us speak when we are at it, we believe that it is a good business opportunity, still I do not have a date which I can share with you that how close we are for the approval on that.

- Bino Pathiparampil:** Thank you.
- Moderator:** Thank you. The next question is from the line of Nimish Mehta from Research Delta Advisors. Please go ahead.
- Nimish Mehta:** Thanks for taking my question. My question is actually related to filing of another US product Vimovo. Any idea when can we launch because I understand this could also be a different launch and if I am not wrong you can launch upon approval, so any idea about the timeline would be helpful?
- Yogesh Agrawal:** Yes, for that I can share with you by and large the feedback we have from the FDA that ANDA review is complete for that. We are just waiting for the facility inspection, they have said that the approval can happen after the facility, so now we are waiting for the US FDA to announce when the inspection will happen.
- Nimish Mehta:** So, it can well be in this year as well?
- Yogesh Agrawal:** We hope so, I think it is linked with the FDA, now we have seen a number of pre-inspection approval happening in the industry, you must have also seen number of companies are getting the inspection. We have number or a few times written to FDA saying that we are awaiting and we are ready for the inspection. So as they have started with other companies I am sure we must be somewhere on the roster there, so hopefully sooner than later they announce and it is primarily just waiting for the inspection now and once the inspection is approved we are hopeful that we should be able to secure the approval for this product as well.
- Nimish Mehta:** Trokendi XR which is Topiramate. I understand the FDA will be launching in January next year are we likely to launch soon after that?
- Yogesh Agrawal:** We have tentative approval on that; I do not have the top of mind the launch date on that, I think maybe our team can circle back on that.
- Nimish Mehta:** Okay, but do you think it is an interesting opportunity?
- Yogesh Agrawal:** Yes, of course, I think it is a good product to have. At least we are glad to have the TA for that otherwise some other products, they got linked with the facility inspection, I just do not have a date for launch, but we are very close to launching it.
- Nimish Mehta:** The case is still ongoing right still not settled if I am not wrong?

- Yogesh Agrawal:** I don't have the details on the tip of my tongue to give you on that, but the fact is that we have got TA so there is no holding back I think the date and the exclusivity or the patent rights will happen we will take on the approval and probably we will be able to get the product, but having said that I think let me just reconfirm with my team and then we will circle back to you on the details for that.
- Nimish Mehta:** Okay, so overall with these kind of opportunities can we say that the US generic business can see significant growth in the next two years or so because these are all important and low competition opportunities?
- Yogesh Agrawal:** Yes, so that has been our outlook traditionally also our current product portfolio, we have been selective in identifying the products which are complex and some other barriers whatever it could be. So we have some good products, unfortunately the approvals were lost, now hopefully the inspection starts, so yes we have some good products, which we have already filed and there are some good products which are at advanced stage of filing during the current year also. So they all can bring good value to the company.
- Nimish Mehta:** Okay, that is it. Thank you.
- Moderator:** Thank you. The next question is from the line of Abdulkader Puranwala from Elara Capital. Please go ahead.
- Abdulkader Puranwala:** Sir, thank you for the opportunity. Sir, would it be possible to break the India's growth into volume, price and new launches?
- Rajesh Agrawal:** We have taken the possible price increase I will share the breakup with you.
- Arvind Agrawal:** Price increase we have taken is about 7%.
- Rajesh Agrawal:** That is the contribution to the growth?
- Arvind Agrawal:** Yes, so 7% is the contribution to the growth there. Out of the total growth 7% is price increase.
- Rajesh Agrawal:** 6% is the volume growth and the rest of it is 3% new product launch.
- Abdulkader Puranwala:** For next year FY2023, what are we targeting in terms of new launches and what are the therapies where these products would be launched or the brands will be launched?
- Rajesh Agrawal:** For the rest of the coming years?
- Abdulkader Puranwala:** Yes Sir.

**Rajesh Agrawal:** Mostly antidiabetics and cardiology. That is where the plethora of launches are taking place across the industry because there are multiple new product opportunities including fix dose combinations. So we are also in the race to launch those products, so mostly it will be filtered towards those two segments.

**Abdulkader Puranwala:** My final question on the US business, so when you mentioned about Chantix and couple of other products, with US with price erosion so if you could provide some colour on how the margin profile looks like?

**Yogesh Agrawal:** So, what was the question on the US?

**Abdulkader Puranwala:** My question was basically if we have to look at the current juncture how would the EBITDA on the US front look as compared to what they were at two to three years ago and if you could also provide some colour on growth on the US front for 2023 and 2024 keeping in mind new product launches would also be in line?

**Yogesh Agrawal:** We do not give out region wise EBITDA margins there, but naturally you can very well assume because of the severe price erosion, which last year was 15% to 18% it has adversely impacted the EBITDA margin of the US business. So that is one part and second going forward currently we have some good products which are awaiting approval only for the FDA inspection, two of them we have already discussed earlier on the call and there are some more products which we have filed. So now it is difficult to predict, but if we get the inspection approval we could be launching some products in Q3, if that inspection get delayed by a quarter or so it could be in Q4. On the current business, current product we are looking at the flattish kind of growth for the current year even if the growth is there it could be in the low single digit maybe 5% to 6% without the new products. As and when the new products will come it will add to the growth as well as to the EBITDA margin.

**Abdulkader Puranwala:** Sure Sir, understood. I will get back in the queue. Thank you for answering me.

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

**Rashmi Sancheti:** Thanks for the opportunity. So, just a followup on US business, this quarter we have not launched any product, but any date, oral products, number of launches that we have planned for the next nine months in FY2023?

**Yogesh Agrawal:** No, as I said I think currently whatever tentative approvals were in advanced stage of review they are all awaiting inspection. We have four products, FDA told that review is complete they are awaiting the approval. So right now we do not have any visibility, so as I guided you, I think we are waiting for the inspection to happen to unlock the new product



approvals. Without that we are expecting to post 4% to 5% probably 5% growth in that vicinity, as and when the new product gets launched then that will add to growth on the profitability.

**Rashmi Sancheti:** Okay and basically India business what is the guidance now for FY2023 and FY2025, earlier we used to say that we would be doing around 12% to 15% but considering that this quarter was slightly high growth, what is your guidance on that part?

**Rajesh Agrawal:** We continue with the original guidance that we have given, which is mid teens for the India business even though Q1 is exceptional growth that you see high double digit growth, but let us not forget that Q1 last year, the base was quite low because of the second deadly wave of delta. So some part of this growth is going to come off as we go along in Q2, Q3, which were quite robust in last year also. So at this point we would rather be a little bit more careful in giving the forecast, so we are expecting mid teens.

**Rashmi Sancheti:** This is for Asia and Africa branded business also right?

**Arvind Agrawal:** Yes, you are right.

**Rashmi Sancheti:** Coming to the EBITDA margin as you said that the raw material cost whatever 300 basis point more which we have seen in this first quarter at least 100 to 150 basis points or something which can come off in the subsequent quarters and considering that Q1 was a low EBITDA margin quarter you still expect in FY2023 we would be around 25% to 26% after assuming that Q4 is normally a very soft quarter for the company?

**Arvind Agrawal:** You are right, I think Q4 is very soft and I think we should be able to keep the EBITDA at that level.

**Rashmi Sancheti:** So, basically you are saying that EBITDA margin would be in the range of 25% to 26% for this entire year?

**Arvind Agrawal:** Should be in that range, yes, some percent here and there is okay, but then that should be the range.

**Rashmi Sancheti:** Okay and what about FY2024 are we expecting any normalization next year?

**Yogesh Agrawal:** We will right now focus on the current year, but seeing the unprecedented times if the inflation cools down, as CFO said that in the opening the freight cost has adversely impacted Rs. 14 crores in the quarter. I think if all those comes down then naturally it will get added to the EBITDA and the PAT.

- Rashmi Sancheti:** Can you focus on cost efficiency or anything which can lead to at least 100 to 150 basis point improvement in FY2024 that is what I wanted to understand?
- Arvind Agrawal:** That is always the focus and that is what we always try to do, the only thing is there are certain external factors which are beyond our control like the freight cost or the inflations, etc., that is where we do not have the control. But otherwise whatever is in our control I think we are 100% sure that we would like to ensure that savings are brought to the business.
- Rashmi Sancheti:** Thanks, that is it from my side.
- Yogesh Agrawal:** There was a talk on the Topiramate also, just wanted to highlight, so the matter is still under litigation and we do not have visibility on the launch of Topiramate. Just wanted to share that across it all on the call.
- Moderator:** Thank you. The next question is from the line of Ayush Mittal from Mittal Analytics. Please go ahead.
- Ayush Mittal:** Good afternoon, Sir. First of all congratulations on a very good performance. I have missed the trade generics number I am not sure if that was shared in the call today, can you please share that number for the quarter?
- Arvind Agrawal:** Quarter is Rs. 33 Crores against the previous year same quarter is Rs. 27 Crores.
- Ayush Mittal:** Sir, can you talk a bit about more about this segment what exactly are we doing in this trade generic and what has been driving the growth and what is the strategy going forward?
- Rajesh Agrawal:** In trade generics we are doing pretty much exactly the same as what some of the other companies are doing. It is a push strategy that is used where it is being sold by the pharmacies and the differentiator is we are focusing more on the chronic segments in the trade generics. We have been able to grow pretty well in the last three years, we hope to continue the growth in the coming two or three quarters also.
- Ayush Mittal:** Okay and these products are in-house manufactured or these outsourced?
- Rajesh Agrawal:** It is a mix of both.
- Ayush Mittal:** Thank you. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Kunal Randeria from Edelweiss. Please go ahead.

- Kunal Randeria:** Good evening and thanks for giving me this opportunity. Sir, on the Asia and Africa branded business is there any element of channel filling that we have so that there might be some lumpiness in the revenue in the coming quarters?
- Yogesh Agrawal:** Element of what?
- Kunal Randeria:** Channel filling, stocking and inventory at the dealer level?
- Yogesh Agrawal:** No not really. Remaining quarters also we are driving to a mid-teens growth.
- Arvind Agrawal:** I think what you are really trying to understand is that this higher growth is something which may be because of the channel filling, but it is not so. Actually last quarter as we mentioned earlier also that it was the delta variant quarter where everything came to standstill. So because of that we were very low. If you see our four quarters that was the lowest quarter which was there, afterwards we picked up the numbers in the market, so I think it is absolutely normal.
- Kunal Randeria:** Got it, Sir. That is helpful. Sir, you also mentioned that you expect the price erosion to sort of now revert back to historical levels, it is very similar to what Teva also said in their call. So I am just wondering what is it that is changing on the ground have the pharma companies said enough is enough now we cannot sell below certain point or what is changing on the ground?
- Yogesh Agrawal:** What is changing is, I think the fact that during COVID when approvals are not coming, companies are under pressure to increase the business. So I think they were overstepping in trying to get the market share of each other, competitors very aggressive which is what we saw leading to the price erosion. I think the industry has understood that this is not helping in fact it is hurting all the companies. I think that kind of awareness and sense that prevailed so we see that undue hyper-competitive activities are kind of normalized and now hopefully with that assumption as that you should come back to the historical level price erosion. And hopefully now the new products approved also has started to reach the companies, we have inspections coming for the number of companies, so that also new approvals will start to come in. So the pressure to increase the business of the existing products will also kind of reduce a little more.
- Kunal Randeria:** From the annual report I saw that your freight cost has gone up by around 30% annually in the last couple of years. So any other line items you would like to point out maybe some of them which may not be in your control that has been sort off leading to higher opex?
- Arvind Agrawal:** I think apart from freight, there is no other element which is there. Normal inflations are definitely there in the cost but not too much. Mainly it is the conscious decision which we

are taking in terms of enhancing our allocation to the branded generic business, so that is the increase. But otherwise I think it is absolutely normal.

**Kunal Randeria:** Got it, Sir. Thank you and all the best, Sir.

**Moderator:** Thank you. The next question is from the line of Ritika Agarwal from Value Quest. Please go ahead.

**Ritika Agarwal:** Sir, thank you for taking my question. My first question is on what is the cash utilization avenue or deployment that do you think about going ahead?

**Arvind Agrawal:** It is very simple, the thing which is going on for the last two to three years. We are looking for acquisitions, we are counting for acquisition, we are always looking at all the opportunities which are coming in the market. So certainly that is one area where we can deploy the cash, but other than that I think our major capex is already completed, so there is no need there and there is no other major utilization of cash which is going to be there in the near future.

**Ritika Agarwal:** Right and acquisition in the domestic front is what you are scouting for?

**Arvind Agrawal:** Basically, it is only in domestic market that is India market we are looking at for the brand.

**Ritika Agarwal:** Right and just to confirm you have mentioned your branded market Asia and Africa growth would be around 15% for the next two years.

**Arvind Agrawal:** Mid teens.

**Ritika Agarwal:** Sure. That is it from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Tushar M from Motilal Oswal Securities. Please go ahead.

**Tushar M:** Sir, thanks for the opportunity again. Sir, on the domestic formulation side the increase in prices on the NLEM portfolio will that get reflected 2Q onwards or there is inventory still left in the system?

**Rajesh Agrawal:** No, I think it has started to reflect in Q1 itself and I remember we discussed this thing a couple of quarters ago and I had mentioned that we will take the full increase. So we have done the same and it has started to reflect by the end of Q1 itself, of course you will see more reflection going forward.

**Tushar M:** There has been also talk about some price cap any comment on that?

- Rajesh Agrawal:** I am only aware of it as much as you have information on media reports that I have also read.
- Tushar M:** Just one last clarification while you have already explained it, the margins which you have guided for does not include the opportunities like Chantix?
- Yogesh Agrawal:** No, they are excluding.
- Tushar M:** Any query pending for Chantix which we were working on and accordingly the product approval will come?
- Yogesh Agrawal:** Yes, as I said we are still in dialogue with the FDA on the requirement they have given us which we are furnishing, so it is work in progress.
- Tushar M:** So, any timeline you would like to give in terms of responding to US FDA?
- Yogesh Agrawal:** No, unfortunately I do not have, but maybe not a quarter or two I think that is what I have a visibility, but after that how quickly it can come through let us wait and see.
- Tushar M:** Thank you Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Gagan Thareja from ASK Investment Managers. Please go ahead.
- Gagan Thareja:** Good evening, Sir. Sir, my first question is around the Africa piece, if you could delineate the Africa branded business growth between the Franco Africa and the Anglo Africa segments and also give us a flavor of what is the growth in Anglo Africa looking like and what is the salience in sales of Anglo Africa overall?
- Yogesh Agrawal:** No unfortunately we are not sharing the data for Anglo, Franco, but as you are aware that our bigger presence is in the Franco Africa. But both the markets they are performing well for us Anglo as well as the Franco both are showing positive growth.
- Gagan Thareja:** Could it also be possible for you to give us some flavor if not quantitative at least directionally of the Asian branded generic markets in the Philippines, Iraq, Jordan and CIS markets separately. Some idea of how you see them evolving for you over the coming two to three years?
- Yogesh Agrawal:** No, unfortunately I think we are giving this guidance on the continent basis, but again I can repeat the same thing, I think all the markets are performing well. So it is a blended response that only one market is good maybe one may have slightly higher percentage than other, but all the geographies are performing well for us. As I said in my opening remarks

we are keeping very laser sharp focus in all these markets to identify the opportunities to increase market share, to bring new products, identify the gap, increase the productivity, increase the manpower. It is a constant battle everyday that is what we are seeing in the results, we continue to remain optimistic about posting higher than the industry growth in all these countries.

**Gagan Thareja:** Is your sales in all of these markets driven by your own salesforce or is there partially a distributed model and partially your own salesforce, if you could give some idea about that?

**Yogesh Agrawal:** So, that was a good part about all business. All our brand generic business in the exports also they are all driven by us. So we decide the product, we decide the price, we decide the promotion. Distributor just distributes the product for a cost. So we are able to decide our course of growth, so that is where the beauty is.

**Gagan Thareja:** On tax rate if you could give us some guidance for this year and next year?

**Arvind Agrawal:** I think this year we have given guidance of about 21% and that is what we should have even in this quarter too it is almost similar percentage. For the next year will be difficult at this point of time, but I think we should see in this range only. It should be around 20% to 21%.

**Gagan Thareja:** So, one final question, in US FTCA is investigating the trade practices of pharmacy benefit managers and the inspection is fairly comprehensive. Do you foresee this sort of changing the US landscape from a pricing perspective in the years to come if the outcomes are adverse for pharmacy benefit managers?

**Yogesh Agrawal:** It was a complex matter. Unfortunately, I do not have a view on that, but let us see there is a big industry shift which we are talking about it, so how far and the changes are not easy to make the structural changes which are being talked about. So I think it is going to be interesting to see how this evolves and which way it does settle, if any significant changes happen, so I do not have any view on that.

**Gagan Thareja:** If in the eventuality that PBM practices are sort of brought more in line with the customer needs because PBMs tend to keep the discounts that they get from innovator companies for themselves without passing it on. Do you see this in anyway helping the cause of generic companies in US?

**Yogesh Agrawal:** I do not know, from generic point of view I would assume it would be neutral, because ultimately we are competing with other generic companies. So how the channel keeps the margin is a separate matter. So it would probably for a generic company would not have

such a huge impact. Maybe for a brand company there could be some changes which may occur.

**Gagan Thareja:** Because some of the litigations which are ongoing in this regard also point out that generic medicine access to certain classes of patients was denied by the PBMs and I think that is the risk what the whistleblower seems to indicate. So I was just wondering if there is any significant possibility that this might help to bring generic penetration in a bigger way?

**Yogesh Agrawal:** It is a complex subject I think difficult to discuss that on an investor call.

**Gagan Thareja:** Thank you, Sir. That is all from my side.

**Moderator:** Thank you. The next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.

**Alisha Mahawla:** Good evening. Thank you for taking my question. Sir, firstly, how much percentage of our portfolio is under NLEM?

**Arvind Agrawal:** About 12% of the India business.

**Alisha Mahawla:** Sure and the step up in revenue that we have seen in the Africa business, is this sustainable because this is a kind of quarterly run rate that we can currently work with?

**Yogesh Agrawal:** As I mentioned earlier we are looking at mid teen growth going forward, for the quarter the growth is slightly higher because of the last year corresponding quarter slightly low due to the COVID disruption, but we are optimistic to outdo the industry that is for sure.

**Alisha Mahawla:** Just to clarify you are talking about the Africa institutional business doing mid-teens kind of growth?

**Yogesh Agrawal:** No, I am talking of Africa branded generic business. The institutional business is very unpredictable. That depends on the fund availability, the requirements of the malaria products in that country, so there are number of factors which are beyond our control, and this is a lumpy business. So it can go very high and in one quarter it can drop in second quarter, so for institutional business we are not giving out any guidance.

**Alisha Mahawla:** Understood and just one last clarification, I believe you are mentioning earlier in the call that there are four products for which we were awaiting US FDA inspection, which could be launched in H2 assuming the inspections are on time, is that correct?

- Yogesh Agrawal:** Yes, as we are waiting for the approval and inspection and once the inspection happens whatever time FDA takes to give the approval for the ANDA we will be ready to launch the products.
- Alisha Mahawla:** These four is including Chantix?
- Yogesh Agrawal:** Chantix has one more element; Chantix is not linked with FDA inspection that is still in the litigation.
- Alisha Mahawla:** So, the four is excluded?
- Yogesh Agrawal:** I am sorry, Topiramate is linked with the inspection, and Chantix is still under approval that is still under review with the FDA that is not linked with the FDA inspection.
- Alisha Mahawla:** Understood, thank you.
- Moderator:** Thank you. The next question is from the line of Chirag from RatnaTraya Capital. Please go ahead.
- Chirag:** Good evening Sir. Thank you so much for taking my question. I just have one question on the Africa branded generic business and this is more of a generic question, given that as an investor I understand on the branded generic space in Africa is limited. Could you help us with a little more colour on what is going on in this business and currently how are we seeing traction. Generally we have been guided mid teen kind of growth but if you look like even at a 10-year history, growth seems to have happened in a more lumpy manner even in the branded generic space. 2013 was a great year, 2015 was a great year so on and so forth. Could you just help us understand is it sort of field force deployment that becomes a little lumpy or this is related to some other sort of a little bit of a cyclical factor. What is it that drives our business could you just talk about it for a little bit more that is all I wanted to ask? Thank you
- Yogesh Agrawal:** No, if you see our Africa business or for that matter any branded generic business whether it was Asia or Africa, it has been very consistent. You will see our track record of five years, eight years, ten years, the growth percentages may have varied maybe some years we may have grown at 8%, some may at 18%, some may at 25%. But there has been a consistent growth, it has been never a lumpy for us that we de-grew 10% and next year we grew 25% and again that is the outcome of very fundamental things. We believe in identifying the product, identifying the gap, good product selection, if you see our investor presentation also, we are talking about the smart and beautiful product portfolio. So that is where it begins and then after that bringing the product to the life, promoting it well, taking it to the doctor to our own field is what gives us the sustainability and the scalability both. So it is a



consistent effort of continuously adding more products every year, working for the product for next year and next year and thereafter year. So there is a lot of work in progress even in the country, we have a lot of products under approval across all markets as and when we get the approval in coming years they will be coming to the market. It is a combination of a lot of things, very similar to what we do in India, increase the market share from the existing brands, add more products, add more people. So yes, I think that is fundamental of any branded generic business whether it is India, Africa or Asia.

**Chirag:** Thank you. That is all from my side.

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

**Yogesh Agrawal:** Thank you everyone for joining this call. In case there are any further questions that remained unanswered today, please reach to our Investor Relations team. Thank you so much.

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