Ajanta Pharma Limited Q3 FY '25 Earnings Conference Call

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Moderator: Ladies and gentlemen, good day, and welcome to the Ajanta Pharma Q3 FY '25 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 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; Mr. Arvind Agrawal – our CFO; Mr. Rajeev Agrawal – our AVP Finance and Investor Relations.

I hope the Results are already there with you. Now we will take you through the business-wise performance for Q3 and 9 months for the FY '25, along with the comparison of the previous year for the same period. So, you'll be glad to note that our performance for Q3 was satisfactory as the Branded Generic business saw healthy growth of 10%. This was on the back of our strategic approach and focused execution along with the consistent efforts, which allowed us to strengthen our position as a leading player in the pharmaceutical industry.

Our concentrated efforts on improvement in working capital cycle has resulted in generating free cash flows of Rs. 675 crores with 97% of PAT conversion in 9 months, which is indeed a remarkable achievement. We are confident of sustaining this momentum and driving continued growth in the coming quarters. Our excellence in terms of strategy and operational execution will enable us to deliver long-term value to our shareholders.

Now moving on to the business details:

During the quarter, revenue from operations was Rs. 1,146 crores from our three business verticals of Branded Generic, US Generic, and Institution business in Africa, a growth of 4%.

During the quarter, 74% of the total sales came from the Branded Generic, which is spread across India, Asia and Africa. The Branded Generic sale stood at Rs. 834 crores, posting 10% growth during the quarter. This business exhibits assurance, sustainability and potential for the long-term growth.

Let me now take up International Business:

I will first start with the Branded Generic business in Asia and Africa, which contributed 44% in the total revenue. In Asia, our presence spans across Middle East, Southeast Asia, and Central Asia, encompassing around 10 countries.

In Q3, sale was Rs. 316 crores against Rs. 292 crores, a growth of 8%, and in 9 months, sale was Rs. 888 crores against Rs. 776 crores, a healthy growth of 14%. We launched 9 new products during the quarter, taking total tally to 22 new products launched in 9 months, in the Asia region.

Let's now move to Africa:

Africa business is spread over 20 countries. In Q3, sale was Rs. 173 crores against Rs. 155 crores, a growth of 12%, and in 9 months, sale was Rs. 617 crores against Rs. 472 crores, a healthy growth of 31%. We launched 7 new products during the quarter, taking total tally to 10 new products launched in 9 months in Africa region.

Let us now talk about other two verticals of international business:

I will move to U.S. Generics:

U.S. Generics contributed 21% to the total revenue. In Q3, sale was at Rs. 263 crores against Rs. 252 crores, posting a growth of 4%, and in 9 months, sale was at Rs. 723 crores against Rs. 703 crores, a growth of 3%. Our superior execution continues to keep us as a preferred partner of choice for the distributor. In 9 months, we filed 4 ANDAs, received 5 final approvals and launched 5 ANDAs. We now have 48 products available on the shelf and 21 ANDAs awaiting approval with U.S. FDA.

I now move to Africa Institution:

This business contributed 3% in the total revenue, which comprises of anti-malarial products. In Q3, sale was Rs. 33 crores against Rs. 86 crores, posting degrowth of 61%, and in 9 months, sale was at Rs. 118 crores against Rs. 188 crores, a degrowth of 37% due to lower purchases by the global funds. As informed earlier, this business remains unpredictable due to the reliance on procurement agencies, schedule and funds availability.

Now, I invite Mr. Rajesh Agrawal – our Joint Managing Director, to take you through India Business. Thank you and over to you.

Rajesh Agrawal: Thank you. Good evening to all of you. I am delighted to inform you that under strategic initiatives, we have forayed in two new therapies in IPM, namely gynaecology and nephrology. The total IPM size for both these therapies is approximately Rs. 16,000 crores, as per IQVIA MAT December 2024. We have added 200 plus MRs in these two new therapies, which are a part of total additions of MR so far. We have launched about 12 new products in these two therapies in Q3 FY 2025.

Coming to our performance, it was an excellent quarter on the back of increased volumes and new product launches. India Business contributed 32% in total revenue.

In Q3, sale was Rs. 345 crores as against Rs. 308 crores, a healthy growth of 12% and in 9 months, sale was Rs. 1,083 crores against Rs. 982 crores, a growth of 10%. India Business includes revenue from Trade Generic, which contributed Rs. 43 crores against Rs. 38 crores in Q3 and Rs. 130 crores against Rs. 120 crores in 9 months in the same period of FY 2024. During the 9 months, we launched 26 new products, out of which 8 were first signed in the country.

Moderator: Please stay connected. We seem to have lost the line for the Management. Please stay connected while we reconnect the Management. Thank you.

Participants, thank you for patiently holding your lines. We have the line for the Management reconnected. Over to you, sir.

Rajesh Agrawal: Okay, thank you. So, I will continue the statement again.

We continue to outpace IPM by 300 basis points with Ajanta growing at 11%, surpassing IPM growth of 8%, as per IQVIA MAT December 2024. This trend extends to most of the therapeutic segments we are in, where our growth has consistently outpaced the segment growth. In the covered market, we continue to be fourth largest in IPM and among top 10 in all our therapeutic segments.

As per IQVIA MAT December 2024, our faster growth is contributed mainly by volumes, which was approximately 3 times more than the IPM volume growth. Cardiology contributed 38%, followed by Ophthalmology 30%, Dermatology 23%, with remaining 9% coming from Pain in India branded sales.

We have added 250 plus medical representatives in quarter 3, taking the total addition to approximately 450 in the first 9 months of FY 2025, and total tally to 3,450. These additions will help us drive India business in the coming 3 to 5 years. This addition is in line with our strategy of increased focus and expanding product basket.

I will now invite Arvind Agrawal, CFO, to take you through the financial performance.

Thank you, and over to you, Arvind ji.

Arvind Agrawal: Thank you. Good evening, and warm welcome to the third earning call of FY 2025. On this call, our discussion includes certain forward-looking statements, which are projections or estimates about the future events. These estimates reflect Management's current expectations about future performance of the company. These estimates involve 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 statements, 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 of quarter 3 and 9 months of FY 2025 are as follows.

Total revenue in Q3 stood at Rs. 1,146 crores against 1,105 crores, posting growth of 4%. In 9 months, the revenue was Rs. 3,478 crores against Rs. 3,155 crores, posting growth of 10%. The growth was lower than our expectations, due to lower institutional procurement of antimalarial products.

Our gross margin stood at 77% in 9 months, 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 50-100 basis points, due to change in product mix.

Personal cost in Q3 was at Rs. 265 crores, an increase of 15% on the back of increased MRs in India. For 9 months, it was at Rs. 810 crores, an increase of 21% due to 1 time charge of about Rs. 30 crores for change in the Gratuity policy in Q1, and increased MRs in India. Increase in medical representatives in India will see the cost slightly going up in coming quarters.

R&D expenses was at 5% of total revenue. In Q3, expenses was at Rs. 53 crores against Rs. 52 crores last year. In 9 months, it was Rs. 161 crores against Rs. 157 crores last year. We expect the expenses to be at 5% of revenue for the fiscal.

Other expenses in Q3 stood at Rs. 302 crores against Rs. 266 crores, and in 9 months it was at Rs. 918 crores against 792 crores previous year same period. It may be noted that the other expenses include Forex loss, notional towards mark-to-market of hedges of Rs. 14 crores in 9 months 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 Q4 are expected to be on the same level of Q3.

We achieved EBITDA margin of 28% in both Q2 and 9 months.
EBITDA stood at Rs. 321 crores against Rs. 314 crores, a growth of 2% in Q3, and Rs. 962 crores against Rs. 894 crores, a growth of 8% in 9 months per previous year. We expect the EBITDA to be around this range, plus minus 1% for whole of FY 2025.

Other income was at Rs. 30 crores in Q3 and Rs. 76 crores in 9 months of FY 2025. It includes Forex gain of Rs. 18 crores, and Rs. 26 crores respectively in Q3 and 9 months.

Income tax stood at 24% during Q3 and 9 months and is expected to be on similar lines for FY 2025.

In Q3, PAT was Rs. 233 crores against Rs. 210 crores, a growth of 11%, and in 9 months it was at Rs. 695 crores against Rs. 613 crores, a growth of 13%. PAT stood at 20% for both Q3 and 9 months of revenue from operations.

We incurred Capex of Rs. 180 crores in 9 months FY 2025.

Capex including maintenance Capex for FY 2025 is estimated to be at about Rs. 25 crores.

We have improved all the three fronts of working capital in 9 months of FY 2025 from FY 2024. Inventory stood at 71 days against 73 days; trade receivable at 86 days against 109 days; and payable at 66 days against 85 days.
This is the result of our consistent effort in improving working capital cycle.

In 9 months of FY 2025, we have generated a healthy cash flow from operations of Rs. 985 crores with cash conversion ratio of 102%, and free cash flow of Rs. 675 crores with 97% PAT conversion.

ROCE and RONW continue to improve, and be comparable to the best in the industry. ROCE stands at 35%, and RONW at 26% at the end of December 2024.

With these highlights, I open the floor for questions-and-answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask questions may press '*' and 1 on their touchstone telephone. If you wish to remove yourself from the question queue, you may press '*' and 2. Participants are requested to use handsets while asking questions.

Ladies and gentlemen, we will wait for a moment while the question queue assembles. To ask questions, please press '*' and '1'.

The first question is from Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: Sir, thanks for the opportunity. Sir, with respect to the start of new therapies in the India market, does this quarter reflects the additional expenses related to these therapies or these are expected to further increase in the coming quarters? That's my first question.

Arvind Agrawal: So as far as people cost is concerned, about 200 people which have been added in these 2 therapies is already included, and it will continue in the coming quarters also.

Tushar Manudhane: And the marketing expenses?

Arvind Agrawal: Marketing expenses are yet to take off, I think it will slowly go up in the coming quarters.

Tushar Manudhane: Got it. So, effectively, considering these factors, maybe I have missed the EBITDA margin guidance for FY '25-'26?

Yogesh Agrawal: It remains at the same level what we have given last year, at the beginning of the year, we have maintained 28%, plus-minus 1%. So, I think we feel that we should go in that direction for the whole year.

Tushar Manudhane: Understood. And just secondly, with respect to ANDAs, we filed 4 till date in this financial year. So, the target of 8 for full year achievable or it might...

Yogesh Agrawal: Yes. It will be achievable. There are a lot of ANDAs, which are skewed towards the quarter end. So, we are expecting to file 4 more ANDAs in the last quarter.

Tushar Manudhane: So, will the result in higher, say, at least some accounting point of view, R&D costs and so that will have from a Q4 perspective, you have to ask, in terms of the impact on the margins?

Yogesh Agrawal: No. Actually, R&D cost is already incurred because it's just waiting for the stability data to come out and things like that. So that is already baked in into the current quarter and the last quarter. So, we don't see any significant expense increase in the next quarter also. There could be a marginal increase, but not a significant increase in the expenses, considering R&D, domestic launches, what we have done for, in addition, all the people, all those things. Maybe we can see a slightly more impact in the next year. But we will talk about the next year when we finish the year.

Tushar Manudhane: Got it. And just lastly, if I may, like considering so many therapies available, what sort of factors went in to drive to a conclusion of selecting nephrology and gynaecology as the next sort of additional growth lever for India markets?

Rajesh Agrawal: Nephrology is a natural extension of what we have been doing already for so many years. We have been covering nephrologists by way of marketing and selling our largest brand, Feburic, which is the second largest brand in that particular subtherapeutic segment. So, nephrologists made logical sense for us to expand our footprint and product portfolio, have a dedicated team and taskforce. It is also a small kind of set of customers that we need to cover. So that suits the way that we have really built our business.

Gynaecology, I feel this market is still large. It is Rs. 11,000 crores-plus market, and I feel that we have required a product portfolio, and the skill set to make our presence in this segment. It's a large segment, and we would like to be prominently present over the coming 3 to 5 years.

Tushar Manudhane: Got it. Thank you.

Moderator: Thank you. The next question is from Amlan Das from Nomura India. Please go ahead.

Amlan Das: Hi, sir. I just wanted to ask what is your outlook for the Africa antimalarial business? Is it going to remain low? Or do you have any outlook regarding this?

Yogesh Agrawal: Yes. As you have seen in the current quarter, we saw significant dip. And for the whole year also, there's a sizeable degrowth, I think, of about 40% odd. So, for the whole year, that's what we're looking at, around 40% degrowth from the last year.

Going forward is a bit uncertain, because of the announcement made by the Trump administration of not in favour of funding the U.S. aid and some more things. But then there was a rollback and some clarification given after 24 hours or 2 days that they're going to continue with some critical medicines and life-saving medicines. So, I think that's still an evolving landscape, that determines purely on how much money the donor countries give to this procurement agency.

But yes, current year, we've seen a degrowth of 42%. But I think in overall scheme, it's become a very small component of our business. It is now 3%, maybe next year, the way our other businesses will grow, the Branded Generics business in India, emerging markets and U.S., this will even become a much smaller part.

Amlan Das: Okay sir, thank you. Sir, one more question regarding the India business. Have you booked any sales for the new therapies that you have added in this quarter? There is the 12% growth? What is the contribution of this new therapies?

Rajesh Agrawal: In the current quarter?

Amlan Das: Yes, current quarter.

Rajesh Agrawal: No, it is insignificant. We have just onboarded the new team. They would take quite a few months to be productive. This is insignificant compared to total domestic business.

Amlan Das: Sir, what is the PCPM right now?

Rajesh Agrawal: PCPM is about Rs. 3.9 lakhs at a company blended average basis, including all the therapies, including all the MRs that we are present with. But I'm not adding the MRs that we have added in the last 6 months, essentially because they will take at least another year to be productive. So this Rs. 3.9 lakhs is at a base of 3,000-plus MRs.

Amlan Das: Okay, sir. Thank you. That's all.

Rajesh Agrawal: Sure. Thank you.

Moderator: Thank you. Next question is from Vishal from Systematix. Please go ahead.

Vishal Manchanda: Yes. So, sir, with respect to the U.S. Generic business, can you guide for the next year in terms of how many launches we can expect, and any colour on the type of these launches with respect to the market size that they address, and whether they are early to the market in terms of immediately post patent expiry or limited competition?

Yogesh Agrawal: I don't think I will be able to give you that in-depth granular details to you. But as I told you, we have launched 5 new products during the year, and there are more launches which will happen next year, and in the next quarter and the next year.

So, in the beginning of the year, we had guided mid-single digit growth for the US market. We are pretty much trending towards that for the whole year. 9 months also has been like that for the whole year.

So, we are pretty much on what we had given the guidance and what we had made a budget internally. Next year, we feel we should post the higher growth, much higher growth. It will be double digit growth.

But I will give you the growth in the next call on what we are going to look for the US, once all our budgets and targets are finalized. But there will be, I think, decent number of new product launches which will happen in the next year also.

Vishal Manchanda: So would you be able to share any limited competition launch that you expect? Complex product launch?

Yogesh Agrawal: Unfortunately, sir, I don't have those kind of granular details. There would be a few products which are limited competition, that much I can tell you. There will be at least 2 or possibly 3 products which would be of limited competition.

Vishal Manchanda: Got it.

Yogesh Agrawal: Yes. Two products we are definitely looking at the horizon which would be limited competition. Yes.

Vishal Manchanda: Okay. And with respect to these branded markets, Asia and Africa. Can you explain the reason for these markets to be volatile over quarters, like we can see sharp growth in some quarters while it becomes subdued, like this quarter was a subdued quarter for the Asia and Africa market.

Yogesh Agrawal: So, essentially what happens here is actually our sales, which is secondary sales which happens in the market, that is at a steady state. But because we are shipping from India to our distributors, and then there are AS9 factors, and there are transit time factors which are all there. So, that is the reason we see these kind of peaks and valleys, the lumpy, sales up and going down.

I think quarter to quarter variation is not the right way to look at the export phase. I think the 9 months or 12 months horizon is the right way to look at that growth. And at the beginning of the year, we had guided for the Branded Generic business to be in the mid-teens.

And as you will see, if you remove the quarter to quarter, if you see the 9 months or what we are forecasting for the whole year, it remains pretty much in the outlook or guidance, which we had given of hitting that mid-teen Branded Generic growth. So, I would suggest don't read too much into the quarter to quarter, I think look at the horizon.

If you see the Asia, the 9 months growth is 14%. So, which is what normalised, because second quarter we saw 28% growth, quarter 3 we saw 8% growth, and Q1 was 9% growth. So, on the whole 9 months basis it got normalised to 14% average blended growth.

Vishal Manchanda: And just one more on the new division launch in nephrology and gynac, so whether these 12 products that you launched, any colour in terms of whether these are kind of new launches in large markets, and you would be a new brand in those categories, and multiple established brands there already or you are doing a different strategy here? Or you are getting into very fast-growing categories within the space?

Rajesh Agrawal: You're absolutely right. These are high-growth, subtherapeutic segments, which we have identified as our go-to-market strategy. So, the tailwinds are already there in our favour, and none of them are first-to-markets at this point, but we are confident of being able to differentiate, given our ability to engage the customer on the scientific activities, and also through unique customer engagement activities that we do and that we have done in other specialties. We are quite confident the team that we have is a highly experienced team in these respective therapies, which gives us a head start. So, this is how we will differentiate and make a presence.

Vishal Manchanda: Got it, sir. Thank you. That’s all from my side.

Moderator: Thank you. The next question is from Nitin Gosar from BOI Mutual Fund. Please go ahead.

Nitin Gosar: Hi, team. Wanted to understand 2 aspects. Now keeping in mind that the Branded Generics forms a very dominant share of our revenue, and the outlook in Branded Generics is somewhere around 10%, 12%, 13% kind of a growth. And the U.S. becomes the only key moving part to drive the additional growth. How should we look at this company now from next 2 to 3 years' perspective, Ajanta, where we are having lot of resources to be deployed, but growth rate is slightly, you can say, close to GDP or slightly anaemic? How should one look at the organization from next 3-year perspective?

Yogesh Agrawal: I think we are pretty much outpacing the market. So, our growth has been, I think, 20% or 30% higher than the market growth. We feel comfortable the way we have positioned ourselves in the Branded Generics business. I think, cumulative, 3 years, I think low teens to mid-teens kind of growth in Branded Generics is quite doable, whereas the markets are growing at 8%, 9%, 10%.

So even if you're able to do it, let's say, 12% to 15% growth on a 3-year horizon, we would be almost beating the market by 50%. And on a base which we are, in most of the markets, our growths are on the top 5 growth percentage in the market. So, I don't know, I think you should reevaluate our figures in the past and going forward.

U.S., as we had already added in the beginning over there, this is a year where we don't have that many launches, lot of launches were skewed towards the second half, so it is going to be a mid-single-digit growth, but we are looking to post higher growth in the next year. But U.S., depends on like that. The year we have higher launches, the growth becomes higher, the next year we may not have that launches, but at over 3-year period, I think we should be able to post mid-teen growth there also, I think, on a CAGR basis or probably even higher than that.

Nitin Gosar: Point taken. It was only that the kind of cash flows we are generating, how should one see that getting redeployed or it will be a company which should continue to have a higher dividend payout? Or there are enough avenues to redeploy the capital?

Yogesh Agrawal: So, we keep continuously looking at the acquisition assets, but we are not forcing ourselves. We are not pressurizing ourselves to make an acquisition, just because we have a large cash flow, which is coming through. Be rest assured whatever transaction deals are happening in the market, they come our way and when we make really very judicious evaluations, they have to fit our therapeutic segments, our presence in the market. So, multiple filters are there.

We can't force and time the acquisition. As and when it happens, it happens. But we are actively on the lookout. Till that time, we will give back the money payout. Payout will continue.

Nitin Gosar: That's a fair point. And in the opening remarks, there was mentioning of high cash flow generation, but vis-a-vis that if I were to see the 9-month interest outgo is around Rs. 15 crores versus last year 9 months around Rs. 6 crores. Why should be that be, sir?

Arvind Agrawal: That is only basically because we have done some discounting of our receivables. So, that is why that amount is being shown there. And this is again to make our working efforts more efficient. So, that is something which is a cost which has been incurred for them. And one thing is that, it is neutral because as I pay that interest cost, definitely I earn the interest also. And it is almost better than what I really pay the discounting charges.

Nitin Gosar: Okay. And should now this become the norm for us?

Arvind Agrawal: Yes. I think we will keep on doing this as long as it something which is doing us very positive sense for the working capital efficiency building.

Nitin Gosar: Got it. Thank you for answering the question.

Moderator: Thank you. Next question is from Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: Thanks for the follow-up. Sir, like the way we've added new therapies in India, any plans to work on that part as far as Asia and Africa markets are concerned?

Yogesh Agrawal: Yes, yes. We are to get into 2 new therapeutic segments in the international market. In the Q1 of next year, we will be launching a CNS line in our Asia market. And we are actively pursuing the gynaecology expansion also in the international market. So, next year, we will have 2 therapeutic segments added in the international market as well.

Tushar Manudhane: Got it. Sir, secondly on gross margins, where we continue to strengthen quarter on quarter. So, is it to do because of the relatively lower proportion of U.S. business or some moderation in U.S. business and that is what is driving the gross margin? Or this is a kind of gross margin, which we should sort of assume in FY '26 as well?

Arvind Agrawal: You are right, Tushar. I think it is more to do with the business mix. More the Branded Generics business, naturally the gross margins are going to be higher. As the proportion of the U.S. will go up, it may come down. But that is something to very clearly the proportion of the business mix, which is going to be there in the future.

Tushar Manudhane: Got it. And sir, lastly, as far as Asia market goes, there we have been consistently growing at 14% to 15% CAGR over the past few years. This FY '25 also 9 months, we are almost at 14% growth. Maybe in terms of market share, if you could just highlight what is the market share we have and what is the visibility for such sustained healthy growth in this market for next couple of years as well.

Yogesh Agrawal: No, definitely, we command a decent market share in various countries where we have a significant presence. Our market share is in the range of 2% to 5%, despite we not being in multiple therapeutic segments. So, a number of markets, number of molecules, we are leaders, number of therapies like Cardiology, Diabetes, Opthal, Derma, our rankings are pretty high. So, I think we feel very comfortable, as I always say, I think our existing brands, they have head space to grow. We are adding more brands and more people.

So combination of that, we feel comfortable to keep growing in double digits. There could be a variation quarter-to-quarter or year-over-year. But I think annualized, if you take a 3 years' horizon, we feel very comfortable being able to post the low-teens to mid-teens growth in the Branded Generic space.

Tushar Manudhane: Understood sir. Thanks. That's it from my side.

Yogesh Agrawal: We have a very strong product pipeline, and just if I would like to add here. A lot of products are under registration, and we feel that there will be a continuous pipeline for us to keep launching, and there are a lot of products on under R&D, which is the 5% spend which you see, lot of products are getting developed, which will be filed in this country.

So, you can just continue to see that I think around 2.5% to 3% of our growth, even in the emerging market is coming from the new products. So that will continue to happen for the next 2, 3, 4 years, whatever the near-term horizon, which we can see.

Tushar Manudhane: No, that's quite commendable, and really appreciate the kind of growth you have exhibited in this Asia market. Thanks for your response.

Yogesh Agrawal: Thank you.

Moderator: Thank you. The next question is from Rashmi Shetty from Dolat Capital. Please go ahead.

Rashmi Sancheti: Yes. Thanks for the opportunity. Just on the U.S. business, again, we have seen both Y-o-Y and quarter-on-quarter growth. And I guess that flu season was also weak. So, what has really contributed the growth? Is it that the new launches have added or the price erosion has come off, if you can say that? And whether this new product launches, which you had done in second half would actually lead to a better quarter-on-quarter growth in quarter 4 in U.S. business, if you can guide that also?

Yogesh Agrawal: Yes, you're right. There have been a number of launches which has happened. So, we got the market business for those products. We also increased the market share in our existing products. So that also got added. The flu season was pushed out a little. So, we are seeing the flu season taking off now actually in let us say last week.

So, I think we feel that probably the next quarter is where the flu season effect will come in our next quarter. So, if you see last 2 quarters, we were around Rs. 230 crores odd for the quarter. And this quarter, we did Rs. 260 crores. So, we added Rs. 30 crores. I think we should be able to improve on this figure also quarter-over-quarter for the next quarter, based on the launches market share which we have got, and the flu season kicking in. If all goes well, I think we should be able to post the number higher than the Rs. 263 crores also for the next quarter.

Rashmi Sancheti: Understood. That's really helpful. And the number of launches we have done in 9 months is 5. So, any more expected in quarter 4?

Yogesh Agrawal: Quarter 4, I think maybe not, I think, no. No new launches in the quarter 4.

Rashmi Sancheti: Okay. And in FY '26, how many launches are we planning? Will it be 6 to 8 launches like we do every year or it will be higher than that?

Yogesh Agrawal: No. I think we are looking at 6 to 8 launches for the next year.

Rashmi Sancheti: Okay. And just on the EBITDA margin, generally, quarter 4 is weak quarter, where all the major cost comes in. And you mentioned that you'll be able to maintain this kind of EBITDA margin. So, just want to reconfirm that despite quarter 4 being weak, we would be able to maintain it? Or there is more to it?

Arvind Agrawal: No, I think we should be able to maintain it. As I mentioned, plus minus 1% is always there, but to we should be able to maintain it.

Rashmi Sancheti: Okay. And this is because our branded market, U.S. markets, everywhere we will be doing business. So, even the higher cost will get absorbed?

Arvind Agrawal: Absolutely. You're right.

Rashmi Sancheti: Okay. And my last question is related to tax rate. You mentioned for FY '25, it would be 24%. But what it would be in FY '26 and FY '27? Should we be modelling similar tax rate or it would be higher?

Arvind Agrawal: '26, it will be almost same. '27 may be higher, because some of the assumptions will go away, so '27 maybe little higher.

Rashmi Sancheti: So '27, it would be in what range?

Arvind Agrawal: Maybe 25%.

Yogesh Agrawal: We will have to work out actually. Yes, probably we can share this in the next call. Right now, we don't have that figure ready with us.

Rashmi Sancheti: Okay. Okay, sir. Thank you. That's it from my side.

Yogesh Agrawal: Sure. Sure.

Moderator: Thank you. Next question is from Foram Parekh from Bank of Baroda Capital Markets. Please go ahead.

Foram Parekh: Yes. So, my first question is, since we are talking about entering new therapies even in Asia and Africa market, so do we want to increase our growth guidance in next 2 to 3 years? Similarly, even for the Indian market, since now we are entering newer therapies, so should we still look at 12% to 15% growth? Or can we look at higher growth because of these newer therapy?

Rajesh Agrawal: For India, it would be too early to factor the growth rates or increase the growth rate expectations because of the 2 new therapies. As you would already know, it would take quite some time for us to really penetrate. There are already strong incumbent players in both the therapies that we have entered.

So no, I don't think that will have any significant impact on the growth rates, because the growth rates are factored upon on a large base. These businesses would be very small for the next 12 to 16, 18 months. So, for domestic, we would not like to revise the guidance.

Yogesh Agrawal: It's same for the international market, our entry is with the CNS segment is with a handful of people, it should be 30 people. So, in the overall cumulative figures, which we already have a base, it's a small percentage. Gynaecology division will be added maybe in the third quarter. So next year, I think this new therapies will not add up so much in the growth of the whole year of the numbers. But yes, they will be built over the years. So going forward, I think they should become the sizable business.

Foram Parekh: Yes, my second question is now on the similar line. So, because we are talking about these businesses becoming bigger eventually. So, can we expect 30% kind of EBITDA margin and above, because of these new therapies scaling out maybe from '27 and beyond?

Yogesh Agrawal: Normally, we don't give so far out guidances, we give year-to-year guidance. So, I think probably it will be best that we have this chat, this conversation in the next con call, when we have all our figures, budgets, everything frozen. By logic, if you want to go, yes, when the growth will happen, the expense will not go that far, that high. So, there's always a possibility for expansion. But I can't tell you what it will be, and what range. I think let's have this conversation in the next quarter.

Foram Parekh: Yes, but are we looking at this kind of the psychological mark of 30% and above, kind of guidance, since we added 27%, 28% hovering around this level since quite some time.

Yogesh Agrawal: I don't think I will be able to give you any more insights on them, what I shared with you. So, my answer remains pretty much the same. Our endeavour will be to expand the margins. Is there a possibility? Yes, there is a possibility. What will be the number? I think I will tell you probably in the next con call.

Foram Parekh: Okay. And my last question, if I may. I see SG&A costs, ex of R&D contribution is quite low, which has increased the EBITDA margin to 28%. So going forward, with these newer therapies, and therefore newer marketing expenses would chip in. So, any outlook or guidance on what this SG&A contribution we are looking at?

Arvind Agrawal: I think SG&A contribution will remain almost the same. As sales will grow, that contribution also will grow. Maybe little higher proportion in the initial period, but afterwards, it will stabilize.

Foram Parekh: Okay. Got it. Thanks.

Moderator: Thank you. The next question is from Rahul Arora, who is an individual investor. Please go ahead.

Participant: Thanks for the opportunity. So, my question related to biosimilar and peptide. Are you planning to go into the biosimilar or peptide market in future?

Yogesh Agrawal: No, I think right now, no such plans actively being pursued for the peptides.

Participant: Thank you.

Moderator: Thank you. The next question is from Harsh Bhatia from Bandhan Mutual Fund. Please go ahead.

Harsh Bhatia: Yes. Hi, sir. Good evening. Thank you. Just as a follow-up of the previous participant, I understand that we are not venturing into that part of the business, which is peptide and amaglutide or whatsoever. But if you could help us, give some of your thoughts on the market dynamics. Obviously, there is under the 12 months that are supposed to go when the international markets and even India goes off for certain molecules, but just your thought process in terms of how the groundwork is shaping up. What is the feedback from the medical community as such? Anything can be helpful.

Rajesh Agrawal: Semaglutide, undoubtedly is expected to be a blockbuster drug even in India when it comes off patent. Of course, there are several companies that are working upon it. As we shared in our previous question, it's too early to comment really 12, 16 months out from today. So, it's like a moving target. I would not like to comment anything on that at this point. But yes, it's just going to be a very lucrative market that is going to unfold in India for sure.

Harsh Bhatia: But we feel that as things stands, again, whatever from your end could be helpful, but you feel that having a backward integration at the API level, which is the case of certain companies, and maybe not from any companies, but you feel that, that could sort of give an advantage given the fact that it is going to be a highly competitive market to that extent? The other point over here is also that the API is a difficult nut to crack. So just maybe your thoughts.

Rajesh Agrawal: Look, it's a complicated product. It's not a small molecule. And therefore, it's going to be a limited play. So, if you are asking from Ajanta standpoint, we don't have those capabilities. Very few companies in the country have those capabilities to be able to manufacture Semaglutide.

Harsh Bhatia: Sure. Thank you, and all the best.

Moderator: Thank you. Well that was the last question in queue. As there are no further questions, I would now like to hand the conference back to Mr. Yogesh Agrawal for closing comments.

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

Arvind Agrawal: Thank you, everyone, for attending this call.

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