"Ajanta Pharma Limited
Q1 FY27 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day, and welcome to Ajanta Pharma Q1 FY '27 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 touch-tone phone. Please note 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 afternoon, everyone, and welcome to Ajanta Pharma's earnings call. With me, I have Mr. Rajesh Agrawal, our Joint Managing Director; Mr. Arvind Agrawal, our CFO; Mr. Rajeev Agarwal, our Vice President, Finance and Investor Relations.

I hope all of you have received the financial results by now. I am pleased to announce that the Board of Directors has approved interim dividend of Rs. 32 per share on a face value of Rs. 2 per share, amounting to a total dividend payout of about Rs. 400 crores.

For the overall business, we have begun the new financial year on a strong note with revenue from operations growing by 25% and profit after tax growing by 31%. We remain focused on delivering our growth momentum of high teens for the whole year.

Our financial position has continued to strengthen with return on capital employed at 37% and return on net worth at 28% as at end of June 2026. These robust returns reaffirm our position amongst the industry's leading performer.

Let me take you through our key business verticals, starting with the branded generic business in Asia and Africa, which contributed 34% to the total revenue. Our continued investment in people, products and markets are ensuring consistent growth.

I'll begin with Asia. In Q1, our Asia-branded generic business reported sales of Rs. 255 crores compared with Rs. 304 crores in the corresponding quarter last year, representing a decline of 16%.

While we had anticipated a recovery during the quarter, continued geopolitical developments in the Middle East caused supply chain disruptions and affected the dispatches. We are actively working on alternate routes to ensure uninterrupted supplies to the region. We also launched 3 new products in the region and are confident that the growth momentum will be back in coming quarters.

Moving to Africa. In Q1, our Africa-branded generic business delivered a strong performance with sales increasing by 30% to Rs. 295 crores compared with Rs. 228 crores in the corresponding quarter last year.

During the quarter, we also launched 3 new products, further supporting our continued expansion across the region.

As can be seen, our conscious call to keep the business well diversified across markets enables us to keep performing and delivering growth in spite of challenges.

Let me now turn to the other 2 verticals within our international business.

U.S. generic business contributed 30% to our total revenue during the quarter, with sales growing by 57% to Rs. 487 crores compared with Rs. 310 crores in the corresponding quarter last year. The strong performance was supported by 2 product launches during the quarter. However, for the full year, we remain with our guidance of mid-single-digit growth.

Moving to institution business. The Africa institutional business contributed around 4% to the company's total revenue and was in line with our expectation in Q1. Sales in current quarter stood at Rs. 70 crores compared to Rs. 38 crores in the previous year, delivering a healthy growth of 83%.

Now I invite Mr. Rajesh Agrawal, our Joint Managing Director, to brief you on India business. Thank you, and over to you.

Rajesh Agrawal: Thank you. Good afternoon to all of you.

The new financial year has begun on a strong note for our India business. The investments made over the past 2 years in expanding our field force and entering new therapeutic areas have started yielding results, contributing to an excellent performance during this quarter.

According to IQVIA MAT June 2026 data, Ajanta continued to outperform the IPM, growing by 15% compared to market growth of 11%. Our volume growth was 40% higher than the IPM, while growth from the new product launches exceeded the market by 75%. This outperformance was broad-based across most of the therapeutic segments in which we operate with our growth consistently exceeding the respective segment averages. We remain confident of sustaining this momentum during the rest of the year.

Within our covered market, we are placed among the top 10 across all our core therapeutic segments. Cardiology contributed 37% of our India-branded sales, followed by ophthalmology at 29%, dermatology at 22% and pain management at 10%. New therapeutic areas accounted for the remaining 2%.

In Q1, the India business contributed 32% of the company's total revenue. Sales grew by a healthy 24% to Rs. 509 crores compared with Rs. 409 crores in the corresponding quarter last year. This performance was supported by 8 new product launches during the quarter. The India business also includes our trade generics segment, which contributed Rs. 48 crores during the quarter compared with Rs. 39 crores in the corresponding period last year.

With this, I now invite Mr. Arvind Agrawal, our CFO, to take you through the financial performance. Thank you, and over to you.

Arvind Agrawal: Thank you, and good afternoon to all. Before we begin, I would like to mention that during this call, we may make certain forward-looking statements. These statements are based on management's current expectations and are subject to risks and uncertainties that may cause actual results to differ materially. The company does not undertake any obligation to update these statements publicly.

I will now take you through the consolidated financial performance for current year Q1.

Total revenue for the quarter grew by healthy 25% to Rs. 1,626 crores compared with Rs. 1,303 crores in the corresponding quarter last year. This is an affirmation of our diversified business model, supporting consistent growth even in the face of challenges in part of the territory.

Gross margin stood at 80% for the quarter, improving by approximately 100 basis points over Q4 FY 2026, primarily due to healthy margins from all geographies. For the full year, we expect gross margins to remain around 78% with a variation of plus or minus 100 basis points.

Personnel cost stood at Rs. 381 crores compared to Rs. 303 crores in the corresponding quarter last year, representing an increase of 26%. This increase was mainly attributable to annual increment during the quarter and addition done in the previous year.

The R&D expenditure, which is included within personnel costs and other expenses, stood at Rs. 66 crores compared with Rs. 56 crores in the corresponding quarter last year. This represented approximately 4% of total revenue. For the full year, we expect R&D expenditure to be around 5% of revenue.

Other expenses stood at Rs. 493 crores compared with Rs. 373 crores in the corresponding quarter last year, representing an increase of 32%. However, the growth in expenses is just 11% over the sequential quarter of Q4 FY 2026. The increase in expenses also reflects our continued strategic investment in products, brands and people across the branded generic portfolio. We expect other expenses to remain broadly in line with the current trend.

Coming to EBITDA. Adjusted EBITDA, excluding the foreign exchange loss, for the quarter grew by 21% to Rs. 454 crores compared with Rs. 377 crores in the corresponding quarter last year, with margin standing at 28%.

During the quarter, we recorded a foreign exchange loss of Rs. 31 crores under other expenses and a foreign exchange gain of Rs. 50 crores under other income. We remain confident of maintaining an EBITDA margin of around 27% with a variation of plus or minus 100 basis points while continuing to invest in the development of our markets.

Profit after tax grew by 31% to Rs. 334 crores compared with Rs. 255 crores in the corresponding quarter last year.

The effective tax rate for the quarter stood at 25% and is expected to be around 26% for the full year.

Capital expenditure during the quarter stood at Rs. 83 crores. For FY 2027, we expect capital expenditure to be around Rs. 400 crores.

With this, we now open the floor for question and answer. Thank you.

Moderator: Thank you sir. The first question comes from the line of Tushar Manudhane with Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: Congratulations on good set of numbers. Just on India business, some sort of misalignment or disconnect between the IQVIA growth rate and the reported growth rate, which generally has sort of aligned. So is there anything specific for this quarter, if you could highlight?

Arvind Agrawal: Basically, the growth rates which you are seeing are for the 3 months if you really see because it is a MAT numbers, which come in the IPM. But if you take the market 3 months and APL 3 months, I think we are at about 18% in India.

Tushar Manudhane: Right. But we have grown 24% for the quarter?

Arvind Agrawal: Yes, yes. That difference will always be there between the IPM and internal numbers. But otherwise, absolutely in line. Earlier, it is something which is a little far. If you see the math, it is just 15%, whereas for the quarter if you see, it is 18%.

Tushar Manudhane: Sir, secondly, for branded-Africa business, the growth rate has been very strong even in this quarter on the sort of just Rs. 300 crores the branded business. So what's the outlook for this segment now in terms of growth from here on?

Yogesh Agrawal: The outlook is quite positive. We've got a good momentum. Last year also, we delivered a very healthy growth. And current year also, we had already guided to be a high double-digit growth, and the year has started really well for us. We are expecting the momentum to continue for the rest of the year. And I think we should post a very healthy growth in Africa for the whole year.

Tushar Manudhane: And similarly for, sir, Asia, are we now sort of given this uneven situation, how to think about the, let's say, either the sales or growth in the Asia business?

Yogesh Agrawal: Asia, unfortunately, the current quarter again, the disruption which has happened because of the geopolitical issues, which started again. Otherwise, we were expecting to resume normalizing the sales in Q1.

Unfortunately, that got pushed out. But we are still continuing with our guidance of high teens growth for the Asia for the whole year. So we are expecting the Q2, Q3, Q4, the performance to be much better, and we should be able to catch up of the growth what we posted in the Q1, and we should be able to deliver mid-teens to high teens growth for the whole year.

Tushar Manudhane: Got it. Because like, let's say, in second, third, fourth quarter of FY '26, the sales were almost Rs. 310 crores, Rs. 290 crores and Rs. 274 crores and currently we are at the run rate of Rs. 255 crores. So you expect the scale up because if we speak about mid-teens growth, this means you are talking about plus/minus Rs. 350 crores per quarter run rate from Rs. 255 crores where we are in 1Q FY '27.

And given the supply disruption that continues, which is why I'm just trying to think that would we be able to scale up like Rs. 100 crores additional per quarter and then sustain that figure?

Yogesh Agrawal: Yes, just to add, sorry to interrupt. But for the Q1 also, we could have posted. Just deliveries got delayed receiving in the market. So which the sales will be captured in the Q2 now. Some of the sales which should have reflected in Q1 got pushed out to the Q2. So that much carry-forward we will see in the Q2.

And you rightly said, I think for the rest of the year, other quarters, we are expecting to be the good growth. Overall, there is no constraint on the demand side or our ability to generate the business of prescriptions. It is just the geopolitical issues which are impacting our supply chain and logistics resulting into this situation. So once that is coming online from the Q2 onwards, we are optimistic that we should be able to deliver the mid-teens growth.

Tushar Manudhane: And just lastly on semaglutide, like at least as far as India market is concerned, at the industry level, it still seems to be gradual compared to the anticipation we had before launching the product. So your view as far as India market is concerned? And subsequently, does that strategically change as far as the Asia-Africa market is concerned?

Rajesh Agrawal: On India market, you're absolutely right. The market has plateaued. If I look at the June IQVIA data as well as the May IQVIA data, there is no significant growth. And on MAT basis, if you look at it, it would be around, let's say, Rs. 850 crores on market 12 months from now. But the growth rates seem to be yielding compared to the expectations that the entire industry had. But nevertheless, it's still a large enough market, and there can be market share gains that can happen amongst the brands.

Yogesh Agrawal: For the Asia and Africa, it is too early to call out anything on this. The launches are 2 years further away. So I think right now, it is too early to comment on how the market will pan out, what is the situation there 2 years on. But considering the huge equity which we have in the space, particularly the cardio, diabetes space, and the specialists, we believe that we should be able to generate good business with this. Overall, we are optimistic, but it's too early to comment on what will happen after 2 years or 3 years.

Moderator: The next question comes from the line of Rashmi Shetty with Dolat Capital.

Rashmi Shetty: So a follow-up from the earlier participant. You mentioned related to the Asia business that the sales will be carried forward in the second quarter. So should we expect that the Asia sales will be higher in second quarter? It will be catching up the quarter 1 and quarter 2 both sales?

Yogesh Agrawal: It will be elevated, as I have said that Q1, some of the sales got pushed out. So it will be captured into the Q2. So yes, we are optimistic that we should be able to post a good quarter 2 for the Asia.

Rashmi Shetty: Okay. And again on India market, such strong growth of 24%, which therapies or which products, where we are gaining a very big traction? Is it across or it is related to certain therapies? Is it price driven mainly or you have taken higher price hikes or it's more volume driven? If you can give us just a broad picture and then if you can give a guidance for the full year only for the India business?

Rajesh Agrawal: There are multiple questions. The growth that we have recorded internally is across all therapeutics, as I already shared in my opening comments. So for example, ophthalmology, we are growing at 1.3x the market growth rate, dermatology also growing far, far faster, including pain, gynae, everywhere else. Cardio also, internal growth rates are equal or better compared to the covered market of cardiology.

Secondly, the growth components are also fairly well split between all 3 components, which is the volume. We are growing faster. Market growth of volume is 3.4%, through 11% growth max, whereas we are at 4.7% and also new product launches and price. Our price is almost the same as the IPM growth rate. So volume and new launches are what is driving our growth.

Third part was the -- for the remaining part of the year, our guidance remains mid-teens, which is what we have guided at start of the year. So it's too early to really be able to change that guidance.

Rashmi Shetty: So for full year, you're expecting a mid-teens growth basically for India business?

Rajesh Agrawal: Yes, correct.

Rashmi Shetty: And on the Africa-branded market, if you can let us know like how the pharma industry in Africa is performing? What kind of growth rates it is clocking? And how vis-a-vis Ajanta is performing versus the overall pharma market?

Yogesh Agrawal: No. Overall, the market is growing. The growth keeps fluctuating between 7% to 12% year-on-year. And as you see from our numbers, which we have posted last year and for the quarter also, our growths are much far better than what the market is growing there.

So overall, it's a sizable market, sizable business which we have built. And this is a result of a huge, sizable field force, which we have built over years and years, and got a good equity with the entire medical fraternity there. So a combination of a lot of things, as you would have known that last 2, 3 years, there has been a big ramp-up in the field size.

That time also, we had given the outlook that the growth will play out in the next few years, and that is what we are seeing now. So it's a combination of new product launches, the people which we added in the last 2, 3 years. They have now started becoming productive. So it's a combination of multiple things. And of course, we are growing faster than the market, so.

Rashmi Shetty: Okay. And what is the kind of growth that we're looking for the full year?

Yogesh Agrawal: High double-digit is what we have guided.

Rashmi Shetty: Okay. And one last question related to the U.S. business. How many launches are you planning for this quarter?

Yogesh Agrawal: In the quarter, this quarter, there are no launches. Last quarter, the Q1, which we're talking about, there we had launched 2 products. And now most of the product launches will come in the Q4.

Rashmi Shetty: So total we are expecting how many launches for this year?

Yogesh Agrawal: I wish I could have given you the answer. It depends on the FDA approval. So that is linked to the FDA approval. But what we are seeing, the way the situation is stacked up with the FDA, we believe that the more launches should happen in the Q4. Hoping that we'll get the approvals by that time, we'll manufacture and supply the products, and we'll be able to get into the market in the Q4.

Rashmi Shetty: Understood. And just last clarification related to the EBITDA margin guidance of 27%, plus or minus 1%. So that 27% is basically considering the forex loss item, which generally sits in the other expenses or it is excluding the forex loss?

Arvind Agrawal: It is excluding the forex because forex loss is something which is very uncertain. And as you must have seen in first quarter also, there is a gain actually of Rs. 20 crores, but the gain goes into other income and the cost comes into other expenses. So that's why that anomaly is there. So we always give the guidance without the forex loss.

Moderator: Our next question comes from the line of Pankaj Tibrewal with IKIGAI Asset Managers.

Pankaj Tibrewal: Congratulations on great set of results. A couple of questions. One, when I look at the U.S. market, that's a very big positive divergence we have seen over the last 3, 4 quarters. I remember at the start in FY '26, you guided for mid-to-high teens, but you ended up at 49% growth. Again, this quarter has started with 57%. How should we read for this year on the U.S. generic side, assuming that the first quarter has been a blockbuster there?

Yogesh Agrawal: Yes. So as I read out in my opening comments, the first quarter has been quite healthy and quite elevated. But going forward for the rest of the year, our guidance still remains the same of mid-single digit, so upper slightly above the mid-single digit. We are expecting that there is some competition will come in and there could be some price erosion and some loss in the market share, which we have factored in for the next quarters -- coming quarters.

Pankaj Tibrewal: That means that the next 3 quarters, the run rate could be a decline also.

Moderator: I'm sorry to interrupt. Mr. Abhishek, could you please repeat your question? Your voice was not clear.

Pankaj Tibrewal: This is Pankaj.

Moderator: Yes.

Yogesh Agrawal: Yes. I mean if you can do the math, whichever way it stacks up, that's our outlook. We are still believing that we should be landing in the range of mid-single digit to upper mid-single-digit kind of situation.

Pankaj Tibrewal: Okay. No problem. And when I look at the last 3 years CAGR, is about 14%. Can I take a medium...

Yogesh Agrawal: Sorry, can you speak louder? We are not able to hear you.

Pankaj Tibrewal: Yes. Can you hear me now?

Yogesh Agrawal: Now, it is better, yes. Go ahead.

Pankaj Tibrewal: So when I look at the last 3 years, the CAGR has been about 14% on both top line as well as bottom line. And I believe that a large part of investment on sales force and feet on ground has been done. When you look at slightly from a medium-term perspective, can you talk about the engines of growth where we think the business could accelerate growth from where we were in last 3 years? Any thoughts on that from an overall outlook on the business side?

Yogesh Agrawal: If you see my investor presentation, we give our outlook. So yes, basically, we are very focused on those aspects, which we have clearly spelled out. There is a huge thrust on filing the new products and getting the approvals, whether it is India, emerging markets or U.S. New product always contributes 2% to 3% of the growth, which will come. So we have a very, very healthy product pipeline under registration, under approval, under development also. So very, very good situation we are in.

Next is always challenge -- our aspiration has been to increase the market share in the products which we already operate in. The large brands which become hundreds of crores, there increasing the market share becomes slightly challenging because then we are a dominant player already.

So basically, then the newer brands, newer products which we launch in, we see the accelerated or higher growth in that. But cumulatively, it adds up into a good rate of growth. We are also looking at -- I think, going forward, we are looking to enter into some new markets as well, which is maybe in Asia, Middle East and Latin America. So these are the new geographies which will play out in 3 to 5 years because we are at a drawing board where we are doing a product selection, filing and it all plays out in 3 to 5 years. But there will be new geographies also which will get added.

So basically, these are the 3 engines and every year, we see there are the possibilities to add more feet on the ground by adding more headcount either in the existing divisions or by forming the new divisions. So that also is one component which adds up. It takes a little time for the new people to be productive. But in second and third year, then they start to add up into the growth.

So basically, all these 4 growth levers, we believe that we are on top of these things. And all going well, we should be able to continue doing executing well in all these parameters. But again, having said that, it has to be supported with the tailwinds of the market growth also. So if the markets are not growing or there are challenges like what we have seen in the Asia geopolitical issues, then they are out of our control that we get impacted as the whole industry gets impacted.

Pankaj Tibrewal: Yes, that's been the only negative divergence from your commentary over the last 4, 5 quarters Asia, where we were expecting mid-to-high teen growth and actually it's come down quite substantially. So second quarter onwards, you have been guiding that that should pick up also.

Yogesh Agrawal: Correct. That's right. That's right, Pankaj.

Moderator: The next question comes from the line of Bino Pathiparampil with Elara Capital.

Bino Pathiparampil: Congrats on a great set of numbers. Most questions answered. Just one follow-up. Arvindji, the impact of higher freight cost, raw materials, et cetera, is that all reflected in the margins and expenses this quarter? Or do we expect to see something more incremental in Q2?

Arvind Agrawal: In terms of expenses, I think the run rate should remain in the range which is there currently. So I don't expect a major increase in the run rate. But just I think as MD has pointed out that the U.S. business may see some price erosion, et cetera, because of which there can be some impact. But otherwise, our guidance of 27% for the whole year stands.

Moderator: The next question comes from the line of Kavya Shah with Plus91.

Kavya Shah: Congratulations for giving good set of numbers. Actually, I joined late so I missed a few points. So why was there a growth of 57% in U.S. generic market?

Yogesh Agrawal: No, it is the momentum which we are carrying forward from the last year. If you see our previous quarters also for the U.S., they have been in the similar range. So the momentum carries forward from the last quarters, which we were expecting to continue. But as we -- I think you missed that point that we believe that this growth should normalize and it should become normal. So for the full year, our guidance has been the mid- to high mid-single-digit growth.

Kavya Shah: Okay. And can you give capex guidance for that?

Arvind Agrawal: Yes. For the quarter, we have spent about Rs. 83 crores on the capex. And for the full year, we are planning to spend about Rs. 400 crores.

Moderator: The next question comes from the line of Foram Parekh with Bank of Baroda.

Foram Parekh: Congratulations on the good set of numbers. My first question is on the Asia business. So we mentioned that from next quarter, the performance will get elevated as some of the business got pushed to Q2. So can we quantify the amount of business that got pushed and therefore we will see some incremental growth?

Yogesh Agrawal: I wish I could. But I think let's wait for the Q2. I have as much in whatever way I can tell, I have expressed qualitatively that there will be elevated Q2. That is as much as I can say.

Foram Parekh: Okay. But how certain or do we have visibility of the shipment going on and therefore the numbers coming in from Q2?

Yogesh Agrawal: Reasonably confident. Things got a little pushed out last minute. So the supplies have been made. We have to realize the sales because once the sales are realized once the stock reaches destination. So a fair bit of visibility is there on that front.

Foram Parekh: Okay. My second question is on the Africa-branded business. So I see that H2 of FY '26, we started performing better with some 30% growth, which we have retained in this Q1 also. And we have guided for higher double-digit growth for FY '27. So just a clarification, would we not see a high base effect in H2 of '27 or we shall maintain the same run rate because high double-digit is quite a broad guidance therefore?

Arvind Agrawal: I think you can consider the run rate to be the plus/minus, of course. But I think high double-digit very clearly says that 30%, which is there this quarter, is a little higher. But over a period of time, we should be able to continue to grow. Only the thing is it will be maybe a little lower than the one which we are seeing. So because of that, I think that high double-digit growth is something which is very, very much achievable.

Foram Parekh: Sure. And my third question, if I may just squeeze in, is on the U.S. side. Could you give us a guidance on the number of filings that we are expecting in FY '27?

Yogesh Agrawal: In the current year, we are expecting 5 to 7 filings.

Foram Parekh: Okay. So the follow-up question is that last year, we did see a good growth in the U.S. segment. And this year, we are talking about normalizing to mid-single digit. So how should we look at it next year given that we will have full year impact of the launches that we will be made in this quarter as well as Q4?

Yogesh Agrawal: Normally, we give out the guidance of the current year only. I think next year is uncertain because how many approvals we will get, what kind of product launches will happen, what kind of market share we will have. So we are unable to give you the guidance for the next year. I think we'll probably deal with it in the Q4 once we reach there.

Foram Parekh: Okay. But sir, can you give us a mix like of new product launches and the existing business for the U.S., like just a broad mix?

Yogesh Agrawal: For the current year, you're saying or the next year?

Foram Parekh: Yes, yes, for the current year. Because we had a couple of new launches last year as well as in Q2.

Yogesh Agrawal: Yes. We already have 2 launches in this quarter. And I think Q2, Q3, we are not expecting any launches. We are expecting some more launches subject to getting the approval from the FDA in the Q4.

Foram Parekh: So I'm just asking for a mix breakup, how much comes from the existing and how much from the new launches of the U.S. business.

Yogesh Agrawal: Right now, most of the business is from the existing products only. Two new products have just been launched, and they are yet to have a meaningful contribution in the overall sales. So it is still the momentum is carrying forward from the last year.

Moderator: The next question comes from the line of Ankit Shah.

Ankit Shah: Congratulations on another great quarter. My first question relates to the gross margin guidance. Now currently, we are doing around 80% margins and our guidance is still 100 to 200 bps below that. So are we expecting any cost headwinds, any input cost inflation due to which margins are expected to go lower in the coming quarters?

Arvind Agrawal: Not really. I think it will be basically the U.S. business where we are expecting some price erosion, where we are expecting the growth to taper down. So I think that will impact the material cost also.

Ankit Shah: Okay. So mix would be one of the factors and some price erosion is what will drive the possible decline in gross margin?

Arvind Agrawal: Yes.

Ankit Shah: Got it. My second question pertains to the employee cost. So if I look at the last 3 quarters, our MR count has been in the similar range around 6,000, but our costs have increased substantially. So is a major part of it is due to increments or if there's anything else which is driving that increase in employee cost?

Arvind Agrawal: If you see the number of Q4 and Q1, I think we are talking about an increase of just about 12%, which is part of the increment and some small number of people who have been added in the quarter. So from -- you are talking about 401.

Yogesh Agrawal: 341.

Arvind Agrawal: 341 to now 381. Basically, I think it is just about 12%. And out of that 12%, again, also we have added 50 people during the quarter in the international MR. So that much addition will be there.

Ankit Shah: Okay. Got it. And lastly, just a bookkeeping question. Can you share the operating cash flow in Q1?

Yogesh Agrawal: I don't have right now.

Moderator: The next question comes from the line of Anupam Agarwal with Lucky Investments.

Anupam Agarwal: Congratulations on great numbers, sir. My question is on the U.S. business again. So just continuing to the earlier participant. If you can slice out the 57% Y-o-Y growth between volume growth and the growth that has come from products launched in the last 12 months.

Yogesh Agrawal: We do not give out such granular details. I've already shared most of the focus on the existing products. So there have been a few launches which has happened in the current quarter which is yet to show any improvements or failures. So we will not be able to provide you that granular details.

Anupam Agarwal: Understood. Secondly, sir, any thoughts on the U.S. administration with respect to the generic price tariff that just came out maybe 2 weeks back? Any thoughts on that, how the market is taking, how the market participants, your customers are receiving that kind of news?

Yogesh Agrawal: No, we are carefully evaluating all the developments which are there are happening in the U.S. But right now, it is a post which is made by the U.S. President. But the study, which was already done of Section 232 of the policy, which continue to strengthen the generic for many tariffs till April 2027.

Now are we going to do a new study and President Trump has said 2 years, which is August '28, which is 6 months before his term ends. So there is a lot of uncertainty, but we are keeping a very close ears to the ground to keep the eye on what are the developments and how they're going to impact and what kind of measures we need to take. So 2 years is a little far away. We will see when we get closer to the timelines of this 2-year August 28 timeline, which the President has announced.

Anupam Agarwal: Just lastly on the U.S. again on a basket portfolio level, what is the average market share you would have for majority of your products?

Yogesh Agrawal: For most of our products, we have a dominating market share.

Anupam Agarwal: Of like the 20%, 25% or still low double digits?

Yogesh Agrawal: Yes, 20% and above also.

Anupam Agarwal: Understood. Lastly, if I may, sir, Rs. 400 crores capex is for which location or geography or business or is this routine maintenance?

Arvind Agrawal: Yes, about Rs. 100 crores will be maintenance capex and another Rs. 300 crores, we are expanding in our Pithampur plant. So there that expansion is going on. So there it will be spent.

Yogesh Agrawal: That is for the emerging market.

Moderator: The next question comes from the line of Abdulkader Puranwala with ICICI Securities.

Abdulkader Puranwala: Sir, my first question is with regards to your gross margins, and we highlighted geopolitical issues hampering our growth in Asia. But at a raw mat level, how are things shaping up? And what was the impact, if at all, in this particular quarter on your overall raw mat cost?

Arvind Agrawal: I didn't get your question.

Yogesh Agrawal: I didn't get your, please. Clearly spell out what you are asking.

Abdulkader Puranwala: Yes. So, my question was pertaining to the raw material cost inflation because of geopolitical issues, whether you witnessed that in quarter one. I understand you had a gross margin improvement, but within the segments, I would want to know if there is any cost inflation because of the geopolitical issues.

Arvind Agrawal: There are definitely discussions around the cost increase in the raw material prices. But as you know, we hold the inventory. So in the Q1, there was no practically no impact. But yes, it may start impacting from Q2 onwards.

Abdulkader Puranwala: Okay. And sir, for the Asia business, when we are guiding for a recovery to start from Q2 and we understand the situation right now, it's not improved much. So what is giving us this confidence that from Q2 onwards, there will be recovery in terms of growth for the Asia business?

Yogesh Agrawal: No, there are some visibilities which we have on the supply chain, how we are able to sort out and streamline those supply chain. And on anticipation of that, there is no concern on the demand side. It is -- if we are able -- once we are able to reach the stocks to the market, we have the demand. We are able to get those demand generated. The puzzle which we are solving is the logistics supply chain, which we have -- we believe that we've been able to sort it out. So with that getting streamlined, we should be able to get the stocks into the market and then that should continue.

Abdulkader Puranwala: Understood, sir. And just one final one, if I may, on the Africa institution. So I understand that business is pretty volatile. And this quarter, I think specifically has done a little well. But anything if you can comment on how the full year number would look like?

Yogesh Agrawal: For the whole year, we have already given the guidance for the Africa institution to be the high double-digit. At the beginning of the year only, we have given. So we expect the rest of the year also to be doing pretty well.

Abdulkader Puranwala: Okay. And sir, this is for the institution business you have, right?

Yogesh Agrawal: Yes, yes. For the institution business.

Moderator: The next question comes from the line of Yogesh Soni with Haitong.

Yogesh Soni: My first question is on the India business. Since cardiology is our biggest segment in the India business and given that we have been underperforming compared to the IPM, I would like to understand, I mean, what is our action plan in terms of getting back to performing in line with the IPM growth, specifically during time when cardiology and IPM is doing significant growth. So I would like to understand your plans on that, sir.

Rajesh Agrawal: Our internal growth rate is matching with the covered market as well as the IPM cardiac segment growth rate. Not only is it matching, but we are also surpassing the growth rate of the cardiac segment. It is the only issue is that the IQVIA capturing of our cardiovascular segment growth rate has not been most accurate. And this has been already shared. For the past 3 quarters, we have been engaging with IQVIA team and getting them to align, have the stockist covered, which actually have major sales of ours and all that.

So that engagement and that exercise is going, and you've been seeing the improvement taking place already in the last quarter. So hopefully, that should happen. So as I have expressed and shared, internally our growth rates are equal or better. So we don't need to see -- we don't need to really worry on the execution, any aspect of that.

Yogesh Soni: Okay. Okay. Understood, sir. And sir, one clarificatory question. If I look at the PCPM for the India MRs, the number seems to be in the range of 3.5 lakh to 4 lakh. Now I appreciate the fact that you have been consistently adding MRs for the last 2 years, and you have still managed to grow this number. But if I compare this with your peers, the number seems to be upwards of 5 lakhs. So how should one read this, the difference between yours and peers' PCPM?

Rajesh Agrawal: So which peer are you comparing this number?

Yogesh Soni: So if I compare it with whether it is Torrent or Dr. Reddy's?

Rajesh Agrawal: So it's not really comparable because the segments in which we operate are not necessarily the same. For example, Dr. Reddy's may not be operating in ophthalmology, right? And Torrent may not be operating in ophthalmology, whereas ophthal contributes significantly to my domestic business. So therefore, the PCPMs may not be directly comparable.

Having said that, 2 points here. First is that my Q1 PCPM per capita per man is already Rs. 4.5 lakhs. Second is if you look at -- you'll have to dissect this segment-wise and how mature the teams are. Like you correctly pointed out, I have been adding a great number of medical representatives over the last one year, right?

So if you look at my productivity in ophthalmology compared with some of the top companies in ophthalmology, we are at par or better because those are mature segments, mature teams. However, our productivity in gynecology or in nephrology will be far lesser compared to the industry averages because we have just started in this segment not more than 18 months back.

So at a blended level, it may not be comparable. You will have to go deeper into every segment and then look at the productivity of our company, our segment PCPM versus the competitors.

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

Yogesh Agrawal: Thank you, everyone, for joining us today. In case you have any further questions that remain unanswered today, please feel free to reach out to our Investor Relations team. Thank you.

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