GOOD PEOPLE
for GOOD HEALTH

November 18, 2022

BSE Ltd.
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001

BSE Scrip Code: 506943; Stock Symbol: JBCHEPHARM

Dear Sir,

Subject: Transcript of Investors/Analysts call

Ref.: Disclosure under regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 read with Schedule III and Regulation 46(2)(oa) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed please find Transcript of Conference Call which was scheduled for Investors and Analysts on November 14, 2022 at 3.30 p.m. IST in relation to results and developments for the second quarter ended on September 30, 2022. The same will also available on the website of the Company www.jbpharma.com.

We request you to take this on record.

Thanking you,

Yours faithfully,
For J.B. Chemicals & Pharmaceuticals Limited

Sandeep Anil Phadnis

Digitally signed by Sandeep Anil Phadnis
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Sandeep Phadnis
Vice President – Secretarial
& Company Secretary

J.B. Pharma

Q2-FY23 Earnings Conference Call Transcript
November 14, 2022

This transcript is published as is what we have received from our vendor who manages the conference call. We would request you to go through the audio recording in case you want to reconfirm anything that has been mentioned in the transcript

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Moderator: Ladies and gentlemen, good day and welcome to J.B. Pharma's Q2 FY'23 Earnings Conference Call as on the 14th of November 2022.

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. Jason D'Souza, Vice President at J.B. Pharma. Thank you, and over to you, sir.

Jason D'Souza: Welcome to the Q2 Earnings Call of J.B. Pharma. We have with us today, Mr. Nikhil Chopra, CEO and Whole Time Director; Mr. Kunal Khanna, President; and Mr. Lakshay Kataria, Chief Financial Officer at J.B. Pharma.

Before we begin, I would like to state that some of the statements in today's discussion may be forward-looking in nature and may involve certain risks and uncertainties. A detailed statement in this regard is available on the Q2 FY'23 investor presentation that has been sent to you earlier.

With this, I would like to hand it over to Mr. Nikhil Chopra to begin the proceedings of the call for his opening comments, after which Mr. Lakshay Kataria will address the financial highlights. Over to you, sir.

Nikhil Chopra: Thank you, Jason, and good afternoon to everyone, and a warm welcome to those joining us today for our discussion on the operating and financial performance for J.B. Pharma during Quarter Two and H1 FY23.

I will begin with a commentary on our quarter two performance and share the perspective on the business. I will be followed by our CFO – Lakshay Kataria who will bring the financial perspective to you. Following the remarks, we will be happy to address queries that you may have over a discussion.

Dear friends, I am happy to, I am pleased to share a healthy set of numbers on the top line during quarter two supported by healthy traction in domestic market and continued momentum in the international operations. In quarter two FY23, our revenues showed 36% improvement to INR 809 crore.

In the domestic market, we continue to see buoyant trend for our business with a revenue of 434 crore. Organic growth for the quarter was mid-teens, once again, JB outpacing industry growth in quarter two FY23, and we remained to be the fastest growing company in top 25 as per IQVIA MAT September '22 data.

Our key brands have continued growing larger, and to share some statistics, Metrogyl gained 56 ranks to rank at 149 number. Cilacar T gained 76 ranks to be 212 number. Nicardia gained 27 ranks to be at 218 number. Cilacar gained 6 ranks to be 48 ranked brand and Rantac gained 4 ranks to be 41st rank brand. These are all MAT figures for our key top five brands.

Prescription wise JB ranked 15th in IPM with quarterly prescriptions increasing to 4.12 crore in quarter two FY23 from 2.65 crore in quarter two FY22 showing a growth of 55%.

Just to give a brief highlight on what has been happening in our inorganic business that we acquired in the last six to eight months:

Our portfolio of acquired brands have shown a robust 25% growth in quarter two FY23 as per IQVIA data, and on a like-to-like basis. As per IQVIA data, the acquired portfolio from Sanzyme has performed well, where Sporlac grew 50% and retained number one rank in its covered market space.

Azmarda, which represents an extension of our leadership portfolio in the cardiology segment, has delivered 46% growth. Heart failure is relatively a new sub-segment and vastly under served. During September '22, Azmarda featured in IPM Top 300 list also. We are presently in the investment mode for Azmarda and are witnessing good results month-on-month. Our teams on the ground are fully geared up with a portfolio from hypertension to the prevention of heart failure.

Coming to international business:

Our international business reported a strong trend with growth across all segments. CMO revenues were the highest that we recorded, and that was translated into best ever sales in our International results. CMO revenue were 64% higher in quarter two FY23 year-on-year. This segment today accounts to 28% to our international sales, and in H1 FY23 from 20% in FY22.

Within the CMO segment – JB has earned a global niche in production and marketing of lozenges, especially in medicated and herbal varieties. Our teams are constantly at work with research in lozenges and liquid formulation with important clients, and we shall continue investing for further scale of this business.

Our formulations and API segments also delivered double-digit performance with our home markets of South Africa and Russia performing as per our expectations. Momentum continues to build up in our international operations, despite the situation that we are facing in Russia and CIS region, has presented us with a favorable demand scenario. Our approach in this region is that of caution, and we are mindful of managing the health of our operations and have been keeping watch on key parameters including receivables.

JB's progress is built on a solid foundation with emphasis on core therapies. We are seeing strong traction in our top performing brands and acquired brands in the domestic market which are consistently delivering market leading performance. With the combination of line extensions and forays into new products, we are driving this momentum forward.

Moving on to how do we see the business shaping in the coming period:

Within domestic markets, we seek to make our key brands even stronger with a sharp focus on building brand franchise in terms of market share and higher prescriptions. We have already completed the integration of our acquired brands and are also well placed to manage post LOE events for our acquired brands like Azmarda.

With the extensive portfolios we offer in focus therapies, we are better placed to manage product life cycles with a view of building upon our shares in those therapies. We expect our domestic business to continue outperform the market growth. Thereby a mix of organic and inorganic growth will allow us to maintain sustained momentum in our domestic business.

Our view on our international operation is also attractive. As you all know, we have focused on select markets with the right products. We are optimistic about driving good sales growth. Our position in export formulations, especially the ROW market has improved quarter-on-quarter. The traction we are seeing in our portfolio.

Over the next six months, we will also focus on finding new products for our export formulations market which would help us for long-term perspective. Our revenue levers are in place, and we are emphasizing better operating efficiencies and higher productivity in businesses, which together are forming the base for our sustaining our operating margins in the light of cost pressures across businesses.

I does draw to close my opening remarks and would like to request our CFO – Mr. Lakshay to address you with a perspective of financial performance. Thank you, all, and over to you, Lakshay.

Lakshay Kataria: Thank you, Nikhil. A very good afternoon to all of you, and welcome to our earnings call. I shall now cover the highlights of our financials for Q2 FY23:

On the revenue front, the domestic and international business stood at a mix of 46/54 of the total revenues respectively. While the domestic business recorded mid-teen growth organically, strong performance of acquired portfolio that Nikhil mentioned earlier, helped maintain another quarter of 400 plus crore revenue in the domestic business.

JB Pharma 's international business continued its strong momentum and grew at 28% year-on-year to deliver 375 crore in Q2 on the back of good performance in all the three business segments, that is export formulations, CMO and API.

Gross margins for the quarter were at 63%, similar levels of last quarter, and compared to 65% in the previous year. The margin saw an impact of inflationary pressure on input costs and packing material cost and also impact of low margins from Azmarda.

As the quarter progressed, we witnessed further softening in areas like international scrape, how the raw material costs largely continue to hold at elevated levels. The global scenario remains volatile. We are cautious and continue to monitor this situation specifically with respect to fuel and energy prices.

As we had mentioned earlier, we aim to maintain our EBITDA margins between 24 to 26% for FY23 with a focus on revenue growth. During the quarter, our operating EBITDA for the quarter was at INR 202 crore compared to 140 crore and was the increase of 44% year-on-year.

During the quarter, other expenses as a percentage of sales improved despite normalization of marketing expense on a lower COVID base in the same quarter last year, and higher utility and fuel prices. As indicated in prior quarters, depreciation during the quarter was high because of amortization of acquired brands.

Profit after tax for the quarter was at INR 111 crore, which is an increase of 13% from INR 98 crore in quarter two FY22.

Lastly, on the cash flow front, for H1 FY23, the cash flows were sturdy. The borrowings of the business increased to 350 crore compared to 26 crore as of March '22 on account of acquisitions. Cash and investments as at end of September '22 was at 203 crore compared to 57 crore as at 31st March '22. The strong cash flow momentum for the business continues, and we are seeing a healthy conversion from EBITDA to free cash flows for the organization. Our working capital metrics, that is inventory and receivables, saw improvement because of March '22. We are confident that the cash flow momentum from operating business will continue.

With this, I may now request the moderator to please open the forum for discussion.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Jeewani from IIFL Securities Limited.

Rahul Jeewani: Thanks for taking my question, sir. Sir, can you please comment on what has led to strong growth in your required brands of Sporlac and Azmarda? You spoke about the fact that you are in the investment phase for Azmarda. So, what are some of these investment measures which you are taking? And given the strong growth which we have seen on Azmarda this year, how do you view, or how do you see this brand growing next year given the fact that Jan '23 the patent for Azmarda expires?

Nikhil Chopra: Rahul, overall, let me first answer your question on what is happening for Sporlac and Azmarda, what is happening on the ground? As what earlier we had commented that when we acquired this enzyme as a asset, there were three, four levers that we thought would help us in terms of inching up the revenues and improve the profitability which has helped us. First off, that was overall synergy that we see in the prescriber base. We already have experience of handling mass brands, which is a combination of Rantac and Metrogyl, which overall has helped us to manage Sporlac brand very well in this last six to eight months.

Also overall, Sanzyme as an asset was under presented and underrepresented in many parts of the country. So, in some parts of the country, we have looked at in terms of how do we improve the share of voice with the help of team members on the ground? That also will help us, and we have also got into some of the life cycle management for Sporlac as a brand.

Not only Sporlac, but if you look at other parts of the Sanzyme asset that we have acquired, which is a combination of specialized probiotic like Lobun, Oxalo, our infertility portfolio, each part of that portfolio has given us a good jump in revenue.

So, that has overall helped us for Sporlac and Sanzyme, from a perspective of what is happening in the field of heart failure, I think the share of voice has overall improved with a strong team of 200 people on the ground.

What we saw the opportunity majorly in the clinic of cardiologists in many of the big hospitals getting into account the point of care diagnostic for 2D and 3D Echo, more and more patients getting diagnosed, adoptions of patients to adhere to the therapy that overall has helped us in terms of what we started with when we acquired this brand was close to around 6, 6.5 crore, and today, we have close to around 9 to 10 crore. So, this is where we stand.

Post LOE, what is going to happen, and this earlier also we have shared in terms of we will see an influx of around 50, 70 Brands coming in. Overall, the cost of therapy will come down. Volumes over a period of time in the next year should go up by two to three times. So, we see a huge opportunity.

Talking more from a patient perspective, the suffering of heart failure in India is big. Around 12 to 15 million patients are potential sufferers of heart failure, when we talk to the cardiologists and what data suggests. And today only 10 to 15% of them are getting the treatment. So, diagnosis, looking at what more we can do, looking at how we can closely work with cardiologists as a specialty, that all things we have been doing, and we will continue to do all those things, and that is where we stand with these two acquisitions what we have done.

Rahul Jeewani: Sure, sir. Just two follow-ups on Sporlac and Azmarda. So, for Sporlac, have you launched the liquid probiotics, which you were supposed to launch in the domestic market? And given the strong growth which we are seeing in Azmarda this year, do you think that this high base will become a headwind for us going into next year as far as Azmarda's growth is concerned?

Nikhil Chopra: So, let me answer the first part of the question. Second part of the question, Kunal will take over. Sporlac we have launched a couple of formulations. We have launched a version of a sachet that is in the form of Sporlac GG. That is what we have launched. We have not, that also goes for pediatrician as a specialty only. That is where we stand. You will see us launching one or two more versions of Sporlac in the field of gastroenterology and women healthcare. That is what is going to happen with the Sporlac as a brand. Kunal, you would like to take the question on Azmarda, how things are going to shape up in post LOE volume, pricing?

Kunal Khanna: Yeah. So, on the Azmarda front, Rahul, you know, yes, we have been able to significantly grow the brand over the last six months, but as we have maintained that given the overall potential which we see, even if there is some price erosion which will happen, we believe volumes will be able to neutralize a significant part of that price erosion. That's point number one.

And the second thing is overall, from a margin standpoint, we will still be at a better position despite this price erosion, because we will be looking at local sourcing options. So, that's a key takeaway. You know, overall, it will, you know, just add to our profitability despite the price erosion, because some level of that will get neutralized because of volume uptake, and there will be significant benefits which we will get on the local sourcing upfront which would help us drive margins better.

Rahul Jeewani: Sure, sir. And my second question is on your CMO business. So, last quarter we had indicated that the CMO business would see sequential moderation in 2Q, but we have been able to maintain the momentum in 2Q as well. So, how are you looking at growth in the CMO business going into the second half of this year and for next year? Thank you.

Nikhil Chopra: So, fortunately, Raul, CMO business what is called the century in quarter one, same continues to happen in quarter two. And just to share with the group, I think we are placed in a sweet spot. If you look at order book for quarter three and quarter four, that's who that is helping us. See, overall, the strategy for CMO business is not for a quarter or not for a year. We are looking at a long-term perspective. And earlier also, I have shared that we want this business to be close to $100 million for us, and we want this business to contribute mid to long-term 20% to overall JB business.

So, a lot of emphasis has been put in terms of what we want to do with this business in terms of new development of lozenges, looking at adding new partners in terms of where we stand, but these all things take time. Quarter three, quarter four, what I can share at this moment of time, order book is healthy. And looking at next year, I think the fundamental work that we are doing in this field should overall help us in terms of be a better place as compared to where we are today.

Rahul Jeewani: Sure, sir. And on the CMO business, have you been able to get any new clients in this business, and the product launches which we have been talking about on the CMO business? So, some of those new launches have happened.

Nikhil Chopra: So, with existing partners, we have added a couple of products. That is what I can say at this moment of time. Adding new partners, that has not happened, but that has got its own gestation period. As and when it happens, we will be more than happy to share.

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

Rashmi Sancheti: Sir, again on CMO segment, based on which strong order growth, now do you upgrade your guidance of CMO for the entire year or even 13% growth? And do you think that, you know, now the growth would be higher in this year?

Nikhil Chopra: So, growth would be higher as compared to where we stand and what we have guided, but also, Rashmi, what I shared earlier when Rahul was talking, please understand from where we are coming. This is a business that we do with many of our partners. In this business, we are not looking for a quarter or for a year. We are looking at a long-term perspective in this business. Earlier also, what I have commented that 60% of business should come from India formulation, short to midterm, and 20% of business mid to long-term, we are aiming that how do we at least get from the CDMO part of the business. So, that is where we stand.

So, things have helped us in terms of post-COVID in anti-inflammatory backed up lozenges are in good demand, but fundamentally, we want to strengthen the base of this business. That is why some fundamental work, what I shared in terms of the developmental work which is happening and with our teams at Daman, and we want to extend our offering beyond the world of cough and cold. That is what we are trying to do.

Rashmi Sancheti: And sir, on the export formulation, you know, this time we have grown at least 17% during the quarter. If you can individually comment on, you know, each market like on U.S, South Africa, Russia, then rest of the world, you know, what is the kind of growth in CP terms we have seen, and how do we see these markets performing for the annually, on an annual basis?

Nikhil Chopra: See, Rashmi, we don't divulge the geography wise overall performance, but just to share with you, in terms of rest of the year, you will see growth plus minus near to mid-teens in these markets. Overall, we have seen some demand coming back in BGX ROW market where the growth was flat here in Quarter Two, we have seen double-digit growth, which gives us confidence that second half of the year combination of ROW, U.S., Russia, South Africa, we should be able to show mid-teen growth.

Moderator: Thank you. The next question is in the line of Abdulkader Puranwala from Elara. Please go ahead.

A. Puranwala: Thank you for the opportunity. Sir, two questions from my end on the India business. So, you explained the key brands you have acquired, but within the quarter, how was the performance of the base brand of Cilacar, Rantac, if you could, you know, please throw some light there, you know, what is driving this growth? And secondly, in terms of our MR productivity, so now that the India business seems to have crossed our earlier threshold of 100 crore per month run rate, where do we see the productivity inching up considering that there is a fair bit of MRs also been added post the previous acquisitions? Thank you.

Nikhil Chopra: So, for the quarter, if you look at our acute part of the business, that is Rantac and Metrogyl, they grow at a high single digit, and chronic part of the business, if I talk about Cilacar, Nicardia and some of that, that grew at mid-teens. And that was in line with what we had planned. In terms of MR productivity, if you have to talk about this year, by the end of this year, our MR productivity should be close to Rs. 6.5 lakh. That is where we stand.

And from an addition perspective, if you look at, we have added 200 people for our team for Azmarda. Otherwise, there is no addition of people on the ground. When we acquired Sanzyme as a business, there were 250, close to 250, 300 people who came in. So, we had 1,600 crore, 1,600 people organically who were working for JB as medical reps, 300 from Sanzyme and 200 from Azmarda. Total Team stands to around 2,100. That is where we stand. So, from a productivity perspective, this is what we want to achieve probably at the end of this year.

A. Puranwala: And just one final question on the CDMO. So, sir, at this quarterly run rate of 110 crore, what is the capacity which is currently underutilized or what is left?

Kunal Khanna: See, purely from a capacity standpoint, we can go up almost 70 to 80% more in what we are currently manufacturing. You know, there are some packaging debottlenecking, you know, initiatives which are underway. But we have a very strong, you know, manufacturing capacity, which can be utilized to almost double the business from where we stand right now.

Moderator: Thank you. The next question is from the line of Tausif from BNP. Please go ahead.

Tausif: So, firstly on domestic business, I mean, I think they are performing very well, and we have closed three transactions this year, and all seem to be doing either in line or better than expectation. How should we look at M&A transactions going forward? And any specific category that you want to strengthen further from your own through acquisitions?

Nikhil Chopra: So, we are evaluating assets in terms of inorganic opportunities as and when it is coming. We would, like given a choice, we would like to acquire something in the world of cardiology, pediatrics, nephrology, respiratory. That is what we have stated earlier. And the three assets that we have acquired have performed well as per what we were expecting, and the ambition is with the right portfolio quality products that we have got, we want in India to serve more and more number of patients. You can, what I shared earlier that today from a prescription perspective, we are 15th rank company. So, with mass brands like Rantac, Metrogyl which we already had, and now with Sporlac being there, we are able to generate 1.5 crore prescriptions in a month, close to 5 crore prescriptions in a quarter. So, that overall is making JB as a company reaching all the corners of the country, and that we would like to do more and more in the coming time.

Tausif: That's helpful. And sir, for these businesses we don't need to add any MRSH, right?

Nikhil Chopra: No. We don't need. Actually, 3 to 12 months we don’t need to add anything.

Tausif: And second on exports business, I mean, seems to be doing very good from the last two quarters. So, is it possible to share what would have been the constant currency growth in this quarter? And any specific market that would have done much better for us, which markets would have done better?

Nikhil Chopra: Sorry. What was the first line?

Tausif: Constant currency growth in export formulations for Q2.

Lakshay Kataria: Nikhil, I will pick that, yeah. So, from a currency perspective, yes, we have seen some gains. So, you can look at maybe a, you know, five, six points being shaved off in terms of, you know, the currency gains, balance largely coming from the volume side. Nikhil, you want to pick up the question on the markets?

Kunal Khanna: See, on the market side for international business, there are parts of Asia Pac, Middle East and Africa which will continue to be our growth and focused areas. Apart from these on the home markets front, you know, we have like Nikhil stated on Russia, we are just very cautious. So, you know, it's not that we will be investing significantly there given the external market situation. South Africa continues to be a big growth driver for us both on the public and private side, and we see big opportunities for a South Africa business from a mid and long-term perspective also. So, this is the overall summary on international. And as Nikhil mentioned in the commentary also, you know, to further capitalize on our existing relationships, there will be filings in these international markets which would really help us to commercialize new products in these existing markets over the next or two to three years.

Tausif: Got it. And lastly on gross margins, I mean, I think Azmarda is definitely impacting that, but how should we look at going forward, I mean, assuming that the freight charges are now cooling off, and maybe going forward raw material cost may also start normalizing? So, how should we look at the gross margin going forward?

Lakshay Kataria : So, from a gross margin perspective, if you really look at it, I think material cost as a basket, we are not seeing significant cooling off. There are some pockets where aluminum etc., seen some softening, but I think, again, given the scenario in Europe, we are very watchful in terms of how things pan out. So, as far as quarter two is concerned, you know, we pretty much saw I think the elevated levels of material costs, and that's how we see things sort of, you know, going forward. And from a perspective of, you know, the fuel prices and the freight prices, those sit in the other operating expenses. Those don't necessarily impact, you know, the gross margins significantly. So, I think the long answer short is, I think we continue to expect the cost side to continue to where it is right now from a quarter two perspective.

Tausif: That's helpful.

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

Shrikant Akolkar: Thanks for the opportunity. Again, I have a question on CMO business. So, this year we have benefited because of the cold and cough infections during the summer time. So, I was wondering do you expect something like that benefiting in next year also?

Kunal Khanna: See, we are not too stressed about the cyclical variations, right? The important thing is we are broadening our portfolio as well, and we are working on life cycle management for the big brands, which we are currently supplying to our principal partners, and going beyond the conventional cough and cold, you know, therapeutic segment. We have always maintained when we look at finished dosage formulation, lozenges as a category, we wanted to look at areas like immunity, sleep, motion, sickness. All those things are underway or under development with our partners, not really restricted to cough and cold. So, yes, this year certainly, one has seen an unprecedented demand surge because, you know, of demand in certain parts of Asia-Pac with our principal partners really picking up, but as we look at the mid and long term, you know, investment opportunities, we are certainly broadening our portfolio to mitigate any such, you know, dependence.

Shrikant Akolkar: And then on the capacity utilization, you talked about 70 to 80%. So, what is the goal to achieve as in terms of timeline, what is the goal to achieve?

Kunal Khanna: See the way to look at it is, you know, last year we were doing close to 4.5 to 5 crore lozenges per month. This year we are already managing close to 9 crore lozenges per month over the last three to four months, right? We can easily take this to almost 15 to 16 crore lozenges after debottlenecking of some, you know, packaging initiatives as underlined before. Over the next two, three months itself, if demand holds, then including manufacturing and packaging, we would be in a position to do almost 12 crore lozenges per month.

Shrikant Akolkar: And last question on Ranitidine. So, we saw that coming out of price control. So, if you can talk about what was the trigger for the government to take it out from the DPCO? And how should we see next year whether you will take a good price rise in Ranitidine?

Kunal Khanna: See, you know, there are certain, it was not Ranitidine alone which got out of the essential list. There were quite a few mature products, mass mature products, products like Atenolol, right, which actually came out of price control, and the government would have given due consideration that if these are the products which are really reaching the last mile, and if these products have already seen a significant hike in the intermediate and material costs, which are very relevant for Ranitidine, and if you see the material cost of, you know, the way they have spiked up, they have given due considerations. And anyway, the cost of therapy, you know, when you look at products like Ranitidine and Atenolol is these are, you know, the most affordable products. So, you know, the government may have given you consideration of how to ensure that the supply continuity and accessibility for these drugs remain. You know, maybe moving them out of price control would be the prudent decision. Apart from that we cannot really comment on, you know, wipe their decision on these list of 20, 25 medications.

Shrikant Akolkar: And last question with your permission is on Sanzyme's IVF business. So, if you can talk about the opportunity size and the overall outlook that we have, potentially competition also?

Kunal Khanna: IVF is a very competitive market, you know, but having said that, we are looking at additions of products which go beyond the core IVF portfolio, because we already have relationships with these IVF and IUI centers. For example, you know, we also launched a product dydrogesterone, which you would have seen, you know, there was a monopoly by one of the largest multinational brands, and in the last 12 to 16 months, there have been domestic companies who have been able to manufacture and source this product and has been able to establish reasonable presence and gain market share. We are also doing reasonably well. So, we will continue to broaden our portfolio rather than only restrict to core hormone and IVF therapy to expand our presence on the Gynae side.

Shrikant Akolkar: And finally, if you can reiterate the size, the opportunity size for the IVF business in India?

Kunal Khanna: The IVF overall, it runs into close to 1,200 to 1,400 crore plus.

Moderator: Thank you. The next question is from the line of Cyndrella Carvalho from JM Financial Limited. Please go ahead.

Cyndrella Carvalho: Thanks for the opportunity. I just wanted to understand when we are looking at our prescription growth in the domestic market, how should we understand this from a little bit of a brand level or a therapy level? What are the key drivers here which is driving such a high prescription growth for us? And what are the key strategies which are helping us here?

Nikhil Chopra: See, overall, if you look at the market growth, Cyndrella, the market growth is also close to 40%, and this is on a week days of last year. But when you look at from a JB perspective, overall our mass brands, particularly in first half of the year, continue to do well, because of the acute season dominant. We have a steady flow of growth for our chronic part of the business, which is a combination of Cilacar and Nicardia.

: But what has happened for JB that we were generating around close to taking into consideration full portfolio, we were earlier generating close to around 1.2 crore prescriptions. Now with the acquired portfolio, we are able to generate 1.5 crore prescriptions every month and close to around 5 crore prescriptions in a quarter. So, that is where we stand from a prescription perspective. Why I talk about prescription? Because that is a fundamental to overall business that you do when you talk about your primary or secondary sale, and from a prescription perspective, we are 15th rank company, and growing at a better pace as compared to Industry. So, that gives us confidence in terms of the portfolio that we have. The portfolio that we have acquired is making JB now a known company in the offices of medical practitioners.

Cyndrella Carvalho: That's helpful. If I understand in terms of our seasonality in the overall portfolio, again, from a domestic perspective, second half will be, how is the outlook for the second half from a seasonality perspective?

Nikhil Chopra: Quarter four will be somewhere soft, but quarter three would be in line with, probably, in line with what we have performed, because now the mix also for us is somewhat we are trying to look at not easy in short period of time to change the mix, but if you look at the chronic contribution is now close to around 52% as compared to which was 45% around 1, 1.5 year ago. So, that is helping us in terms of bringing more stability to the business as compared to depending on the season.

Cyndrella Carvalho: That is helpful. And one last question. How should we look at the top line growth? I mean, the amount of top line growth we are seeing, how should we look at it over two to three years' time? We will have LOE also coming in plus, you know, this top line growth from an EBITDA perspective, how should we see it like going down like circling down to the PAT level? So, any color on that? Because, you know, we understand at the cash level of cost, but any sense on that will be helpful. That's it from my end. Thank you.

Nikhil Chopra: So, the aspiration is now what we will achieve will be shown over a period of time. The aspiration is that we should be growing at mid-teens top line, and profit should grow better than the top line. So, 14 to 16% top line, 16 to 18% bottom line. That is what we keep in consideration when we look at in terms of planning our budgets and figures for next two, three years.

Moderator: Thank you. The next question is from the line of Rahul Jeewani from IIFL Securities Limited. Please go ahead.

Rahul Jeewani: Thanks for taking my follow-up question, sir. Now on the base business in first half, we have seen mid-teens kind of a growth on the organic base portfolio. So, if you can split that out between contribution from volume, price, and new introductions? And with respect to some of the new therapies which you have entered, which is respiratory, pediatrics and nephrology, how has been the traction been in some of these newer therapy areas for us?

Nikhil Chopra: See, overall, if you look at mid teens growth that we have achieved for H1, 7 to 8% would be price driven growth, 5 to 6% would be volume driven growth, and 3 to 4% will be the new introductions which are contributing to the growth. I can't go in detail, Rahul, in terms of, but overall, just to share about the new portfolio that we have launched, they are helping us in terms of gaining the prescription growth that I shared as compared to market in the clinics of chest physicians, pediatricians, physicians, nephrologists. That is what I can say.

Rahul Jeewani: Sure, sir. And would you like to comment anything on Sitagliptin, how that launch has been for us?

Nikhil Chopra: Very early. Very early. Two, three months. Very early to share about Sitagliptin.

Rahul Jeewani: And just a few questions for Lakshay. Sir, if we now look at your gross margins, your gross margins have stayed flat sequentially, despite Azmarda growing very strongly during the quarter which implies that your base business would have seen some sort of a profitability improvement. So, how are you looking at your base business gross margins ex of Azmarda going forward?

Lakshay Kataria: Like I mentioned from a margin perspective, you know, the costs have now on the input side largely peaked. You are now expecting this to remain stable and, you know, that's how whether I look at base business or Azmarda, that's how things can be. So, peak costs are now into the P&L and Q2, and we see this going forward for Q3 and Q4 as well. Hope I have answered your question.

Rahul Jeewani: Yeah, sir. So, just on the imports from China, what is the contribution to us? And I think we source Metrogyl's API from China where we had seen significant cost escalations. So, have we started seeing cost moderation on Metrogyl API as well?

Kunal Khanna: We haven't seen any moderation as yet on the Metronidazole API. In fact, the cost is very similar to what it was almost two to three months back.

Moderator: Thank you. Next question is from the line of Kunal Randeria from Nuvama Wealth. Please go ahead.

Kunal Randeria: Sir, just one clarification needed on Ranitidine. You seem confident that the government will not ban this molecule. So, is this based on your conversation with government authorities?

Kunal Khanna: See, with respect to Ranitidine, I think technically there has been quite a few studies which have been done over the last three years trying to link the NDMA levels with the carcinogenicity of this product, and all of them, and these are not studies which have been locally conducted. These are studies conducted by FDA and, you know, EU regulatory authority, and it's clearly established that, you know, there is no risk of NDMA being linked to carcinogenicity for Ranitidine.

: Ranitidine globally as well continues to be in the WHO GMP list. There have been some companies who may have kind of withdrawn the product because of their focus on, you know, PPI versus H2RA, and given all the issues which happened almost four months back, but clearly enough clinical evidence, you know, this product has been there for almost 30, 40 years, and the recent studies suggest that there is no cancer risk associated with the NDMA, you know, levels. The Indian government had never kind of intended to put any restriction on limitation on this particular product. There is certainly no linkage of this coming out of NLEM based on the future outlook of this product not being there in the market because this is not the only product which came out. It was backed up with almost 25 products. So, we really see no risk of that.

And in addition to that, we have been taking a lot of initiatives to keep ensuring the NDMA is a inherent system issue, which is not only there for Ranitidine, but other molecules like Metformin and all. So, how can we improve that? You know, we have been taking continuous improvement initiatives. At API levels, we have kind of gone into non-detectable limits of NDMA. So, those are the improvement initiatives which we are taking for the product as well.

Kunal Randeria: That's helpful, but just to maybe push you a bit more on this, you see because a couple of genetic companies had sort of, you know, gone for half a million-dollar kind of settlement with the lit again in the U.S., you know.

Kunal Khanna: I mean, those settlement litigations, clearly, those large Pharma cores clearly represented what the scientific findings were and, you know, kind of fought against those, fought against the litigation which was there. And in fact, we also hear that some of those same names want to kind of pursue the product once again, given the recent findings from these studies.

Moderator: Thank you. The next question is from the line of Sayantan Maji from Credit Suisse. Please go ahead.

Sayantan Maji: So, I have a couple of questions. So, first is on Cilacar. So, in Cilacar, have we seen any expansion in coverage among the cardiologists? And is there any, you know, plan to, you know, scale this up as well, given that this is a large opportunity area for us?

Nikhil Chopra: Not only at the level of cardiologists, but equally the opportunity lies across specialty when we talk of majorly in our people on the ground, a team of 500 people when they promote Cilacar, they are promoting to cardiologists, physicians, nephrologists. And also, I am happy to share that in patients who are suffering with, who are diabetic hypertensive, Cilacar-T, which is a combination of Cilnidipine and Telmisartan is a drug of choice, and if you look at IMF figures, this brand is now close to 120 crore and growing at a pace of 30%. Then what I shared that it has now gained 76 ranks in last one year. So, it has become a drug of choice.

: Equally, teams have been working closely not only with the healthcare professionals but also with the consumers in terms of how do they adhere to therapy for long-term benefit. So, we continue to look at how do more and more number of physicians, when I am talking of physicians, that is doctors adopt this brand and at least that can be helpful to more and more number of patients who are suffering from hypertension.

Sayantan Maji: So, basically, what I was hinting at is, is there any, you know, benefit that we can leverage from promoting our smarter and, you know, leverage relationship with cardiologists to promote this as well? So, do you see any initial indications with?

Nikhil Chopra: 100% if you look at the medical fertility and with what we have done in the era of heart failure, the agenda going ahead is to prevent the progression of hypertension to heart failure. So, it's a combination of Cilacar and Azmarda where our teams have been working together, and at least help overall the patients who are suffering, who are undiagnosed hypertensive, who conceptually are hypertension is not controlled, and that has to be prevented to go into the era of heart failure. So, this acquisition of Azmarda and now the number of patients that we are catering to has overall helped us to improve our presence in the world of hypertension, and this will happen more in the coming time.

Sayantan Maji: That's helpful. My second question is on the new divisions respiratory and pediatrics. So, in respiratory, we had, you know, a few launches. We had launched Nintedanib, then Acetylcysteine, which is VISCOJOY and Dispred. So, have there been any further, you know, launches? Or are we planning to scale these molecules up and grow these in this particular therapy?

Nikhil Chopra: If you look at a couple of launches that we have done, that is, one is N-Acetylcysteine is a mucolytic agent, our brand VISCOJOY, and the combination N-Acetylcysteine with Acebrophylline, VISCOJOY AB that we are now at 100 or around 50 lakhs. It's close to around 6 crore brand.

Equally, anti-allergic, which is a combination of montelukast, Levocetirizine, which we have formulation for tablet, syrup, Akair LC, which is also now close to around 6 crore run rate a year. These two brands have done fairly well. This spread we have launched a new line extension in the form of 16 milligram. That also is helping us in terms of the family now which is available in the with Methylprednisolone.

Also, we have ventured into the world of nebulization with half a dozen nebulized products that we have launched in the field of respiratory, but that traction you will see in the season time probably from November to Feb. That should help us to ease the revenue.

Sayantan Maji: Understood. And for Pediatrics, the key brands right now are Rantac syrup and the Sporlac what we have launched right now.

Nikhil Chopra: Rantac is there. We have Laxolite. We have Zecuf syrup. We have half a dozen formulation now. Also, what brands that we have acquired from Dr Reddy's which is a combination of Z&D and also antibiotic Pecef. So, we have now a good mix of portfolio, which our teams have been going, and we cover close to around 25 to 30,000 pediatricians. JB as a company that is now in the field of probiotic, is in the field of supplements in the form of Zinc, antibiotic, Rantac syrup. So, we have got a good mix of portfolio. And overall, we are getting good traction in terms of prescriptions from pediatrician as a specialty. And this should only improve.

Moderator: Thank you. The next question is from the line of Sonal Gupta from L&T Mutual Fund. Please go ahead.

Sonal Gupta: Thanks for taking my question. So, just wanted to ask one on Azmarda given that the LOE is in January. So, do we see a couple of months of no primary sales ahead of that? I mean, so this quarter could Q3 be impacted as a result of that? And then post whatever pricing settle, I mean, you could launch with a newer price post the LOE. How do we see the cadence there?

Kunal Khanna: So, there may be a cooling period for 10 to 15 days, but not to the extent as stated by you, you know, a couple of months. We will certainly have a cooling period to ensure that the stock which is there in the market gets liquidated, and then we refill the channel with newer prices. The good thing about this product is that, you know, there is a very strong secondary velocity and demand. As a result of which, you know, the channel does not carry a significantly high inventory. So, whatever cooling period will be there, we will try to restrict it to, you know, a couple of weeks, and then see how the on ground situation spans out.

Sonal Gupta: And just on the head count, just a clarification. I think, previously, you have mentioned about 2,500 MRs. Now you are stating 2,100. Just clarifying on that number.

Nikhil Chopra: 2100 plus managers.

Kunal Khanna: So, you know, the actual frontline field force is 2,100 plus you have the managers, which comprises of area managers, regional managers, and zonal managers. That's the general industry norm.

Sonal Gupta: So, I mean, like, because my understanding was the breakup was like 2,000 for JB and then 300 for --

Nikhil Chopra: No, no. I will tell you. I will just clarify. 1600 for JB around and around 300 for Sanzyme, and 200 for Azmarda. So, 2,100 is the number when we talk of medical rep, and the industry practice is that you calculate your per person productivity depending upon your frontline reps.

Moderator: Thank you. We take the next question from the line of Rajat Setiya from Ithought PMS. Please go ahead.

Rajat Setiya: Sir, we did 434 crore in domestic business this quarter. What would this number be without considering the acquisitions?

Nikhil Chopra: This is full business that we have reported which is a part of that is what we have reported.

Kunal Khanna: So, if you are asking actually, essentially, the contribution of organic versus inorganic acquisitions, broadly, you can, our acquired portfolio runs into into to 82 to 84 crore. That's the number.

Rajat Setiya: Thank you so much. And the other question was about the ESOP cost that we will be incurring in FY24 and FY25?

Lakshay Kataria: So, basically, this quarter we had a cost of roughly about 18 crore. This fiscal will be about roughly 71 odd crore. And as we had carried earlier, you will start seeing a step decrease in the ESOP cost. So, next year should be in the range of 38 to 40 crore, and then maybe 25 to 30 crore in the following year. So, you will see a step-down improvement in the ESOP cost.

Rajat Setiya: And what will be the total number of shares, increase in total number of shares because of the ESOPs?

Lakshay Kataria: If you look at the overall scheme that the Board has approved, it's roughly about 3 million shares.

Rajat Setiya: And sir, on the debt side, what are the debt metrics that we will look at now that we have become a net debt company for the first time, and we still have our plans to acquire new brands and maybe full-fledged companies as well. So, what kind of debt levels we will, and not debt levels, but the kind of let's say debt metrics like dead by EBITDA or dead by equity we would like to limit ourselves to?

Lakshay Kataria: So, I can't give you a specific number, but I think directionally, what we can tell you is we will be very, very conservative to the usual industry thresholds on debt to EBITDA. We do not want to stretch our balance sheet too much. Yeah, and we have a reasonably good cash generating business. If you look at our first half, we have generated almost 280 crore of cash from operations. So, we will look at how do we get a good balance of own generated capital and debt to fund most of the cost.

Rajat Setiya: Finally, we are also open to acquire full-fledged companies or we will continue to acquire smaller size brands or, you know, part of the companies?

Lakshay Kataria: We are open to acquiring companies as well. It is a matter of, you know, what opportunity comes our way that makes strategic and financial sense.

Moderator: Thank you. Ladies and gentlemen, that should be our last question for today. I now hand the conference back to Mr. Jason D'Souza for closing comments. Thank you, and over to you, Jason.

Jason D'Souza: Thank you, Aman. I would like to just hand it over to Nikhil Chopra for any closing comments.

Nikhil Chopra: First of all, thank you all for attending the conference call, and we will continue to focus on our entire strategy that we have spoken earlier in terms of along with the revenue drivers which are there in place in terms of top line, in terms of EBITDA, profitability which we aim always should be better as compared to top line growth.

Also, what we have kept in mind in terms of how do we look at improving the productivity and also looking at the cost optimization initiatives which are fully in place, which will only help us in creating strong operating leverage, which will help us to maintain our margins in an environment which you all understand is full of headwinds. And we will continue to engage with you in the coming time in our conference calls, and we would like to update you in terms of what has been happening in the company. Net-net, as a company, we want to create value for our shareholders, and look at how more and more JB as a company we can serve more and more number of patients in the coming time with the quality medicines coming from the house of JB. Thank you all. Thank you all for patient hearing. We will be connecting in our coming connecting call with all of you.

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