



A CSR Initiative



JAGSONPAL PHARMACEUTICALS LIMITED

Corporate Office: Nimai Tower, 3rd Floor, Plot No. 412-415, Phase-IV, Udyog Vihar, Gurugram -122015, Haryana (India)

October 29, 2024

The Department of Corporate Services- Listing BSE Ltd, Phiroze Jeejeebhoy Towers, Dalal Street Mumbai-400 001 Scrip Code: 507789	The Department of Corporate Services- Listing National Stock Exchange of India Ltd Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E) Mumbai – 400 051 Symbol: JAGSNPHARM
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**Subject: Earnings Call Transcript for Jagsonpal Pharmaceuticals Limited Q2 and H1 FY25
Earnings Conference Call on October 24, 2024 at 11:00 AM**

Dear Sir/ Madam,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript for the Jagsonpal Pharmaceuticals Limited Q2FY25 Earnings Conference Call held on October 24, 2024 at 11:00 AM for discussion of Q2FY25 & H1FY25 Financial Results.

The same is also uploaded on Company's website.

We request you to take the above on record.

Thanking you,

For **Jagsonpal Pharmaceuticals Limited**

Abhishek Joshi
Company Secretary & Compliance Officer



“Jagsonpal Pharmaceuticals Limited
Q2 and H1 FY '25 Earnings Conference Call”

October 24, 2024



**MANAGEMENT: MR. MANISH GUPTA – MANAGING DIRECTOR –
JAGSONPAL PHARMACEUTICALS LIMITED**

**MR. ASHISH LAKHOTIA –CHIEF FINANCIAL OFFICER -
JAGSONPAL PHARMACEUTICALS LIMITED**

MODERATOR: MS. HASHIKA MUTREJA – GO INDIA ADVISORS



Moderator:

Ladies and gentlemen, good day and welcome to the Q2 and H1 FY '25 Earnings Call for Jagsonpal Pharmaceuticals Limited, hosted by Go India Advisors. 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 that this conference is being recorded.

I now hand the conference over to Ms. Hashika Mutreja from Go India Advisors. Thank you and over to you, ma'am.

Hashika Mutreja:

Thank you. Good morning, everyone and welcome to the Q2 and H1 FY25 Earnings Call of Jagsonpal Pharmaceuticals Limited. We have on call with us Mr. Manish Gupta, he is the Managing Director and Mr. Ashish Lakhota, who is the CFO. We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks pertaining to the business.

May I now request the management to take us through the financial and the business outlook, subsequent to which we will open the floor to Q&A. Thank you and over to you, Mr. Manish.

Manish Gupta:

Thank you, Hashika. Good morning, everyone. Thank you for joining us today for the inaugural earnings call of Jagsonpal Pharmaceuticals Limited. We are pleased to welcome you to our first investor call as we share our company's progress and discuss our growth strategy.

Jagsonpal has a strong track record spanning over 4 decades, with a core focus on gynaecology and orthopaedics. Our science-driven approach and long-standing relationships with healthcare professionals have enabled us to build a strong presence in sub-chronic, doctor-driven therapeutic segments. This strategic focus has allowed us to operate efficiently while maintaining our commitment to quality and innovation.

Our business model centres around trust and confidence of doctors, which has been pivotal in driving consistent demand. We have an asset-light model with complete outsourcing of our manufacturing requirement, with a robust QMS oversight.

As some of you are aware, the company underwent a change of control about 2 years back when Infinity Holdings acquired a majority stake of 43%+ in the company and stepped in as promoters. The erstwhile promoters – the Kochhar family, opted to retain a 25% stake, although they stepped down from management responsibilities.

One interesting fact about Kochhar family is that they hold a distinguished reputation amongst the doctor fraternity, especially Gynaecologists. Dr. M. Kochhar, a prominent figure of the family, was one of the pioneers in the IVF field in India, contributing to its advancements since the late seventies.

Consequent to the changes in the cap table, the Board was reconstituted with Harsha Raghavan from Infinity Holdings joining as Chairman of the Board, Debasis Nandy – CFO of Thomas Cook Group of companies joining as chair of the Audit committee. Other members include Radhika Dudhat – partner at one of India's leading law firm Shardul Amarchand Mangaldas,



Pallavi Dinodia – Partner at leading CA firm S. R. Dinodia & Co and Prithipal Kochhar who represents the Kochhar family on the Board. I joined the Board as Managing Director of the company in July 2022.

Additionally, we strengthened our governance framework by appointing Walker Chandiook & Co LLP as statutory auditors, S S Kothari & Mehta as internal auditors, and Kirit Mehta & Co. as cost auditors.

As you may notice, the journey over the last 2 years has been rather mixed. We began with strong momentum of the dydrogesterone franchise, wherein the company was amongst the pioneers in the country. This franchise had emerged as our largest product within 18 months of launch. With significant initiatives around cost and operational efficiencies, we could drive 74% increase in operational EBITDA with 600 bps margin improvement in the first 12 months of operations. Our efficient management of working capital led to cash to EBITDA conversion of over 100%, helped us establish significant war chest of almost Rs. 150 crores by March 2024.

However, we faced significant headwinds around August/September 2023 with challenges in our Top 2 products. We faced hypercompetition in dydrogesterone, while our Indomethacin franchise saw significant spurious product availability. In response, we undertook decisive corrective measures that, although temporarily affected our performance in the second half of FY24, were strategically aimed at strengthening our competitive position for the future.

We commenced the current year on a positive note with our key brands returning to positive growth and strong recovery across all financial parameters in q1. We also concluded our first acquisition of Yash Pharma business in Q1 which expanded our therapeutic presence with addition of dermatology and paediatrics.

Our Q2 performance is a beginning of the reflection of true potential of Jagsonpal's franchise with the doctors supported by the capabilities of our team. Our sales for the quarter were ₹75 crores with a growth of 29% over comparable period. While a significant part of this growth was on account of the acquired business, I am happy to report that our core business is also back on track with growth of 5% over q2 last year and over 33% over average quarterly performance for the second half last year. Our operating margin profile for both q2 and H1 is again reflective of the strength of our brands and quality of our products.

Over the last 2 years, we have also curated CSR initiatives with a particular emphasis on advancing women's health. In alignment with this objective, we brought in all our community initiatives under the 'MySakhi' umbrella. Under this initiative, we have already established 7 pink toilets in schools and colleges of Punjab, Haryana and Uttarakhand.

We also launched a dedicated website www.mysakhi.in, a platform focused on critical aspects of women's health across all stages of life from menarche to menopause. The website features initiatives led by medical experts to raise awareness about menopause management through interactive virtual discussions. Recordings of these sessions are also available on the website.

We have also been rewarding our shareholders with an enhanced dividend of 100% over last two years. In furtherance to that, the Board at their meeting held on 23 Oct 24, have approved a



stock split to change the face value of our equity shares from Rs. 5/- to Rs. 2/-, with a view to create more liquidity in the stock and make it more investor friendly.

That summarizes our recent journey. Looking forward, we remain focused on leveraging our science-based approach to introduce differentiated products and expand into new therapeutic areas through inorganic strategies. We continue to prioritise operational efficiency, disciplined financial management, and long-term value creation and stay on track of delivering our guidance for the current year while upping the margin expectations.

I now request Ashish Lakhota, our CFO to take us through the financial performance for the quarter and First half of FY25. Over to you Ashish.

Ashish Lakhota:

Thank you, Manish, and good morning once again to everyone on the call. I am pleased to share the financial highlights for Jagsonpal Pharmaceuticals Limited in Q2FY25.

In Q2FY25, we recorded revenues of ₹74.7 crores, which represents a robust growth of 29.2%. Our operating margins, before accounting for ESOP costs, expanded by 290 basis points to 24.6%. This expansion was instrumental in driving a significant 46.6% growth in operating EBITDA to ₹18.4 crores.

Our net profit for the quarter grew by 53% to ₹11.4 crores, translating to a net profit margin of 15.3%. For the first half of FY25, we posted revenues of ₹136.1 crores, reflecting a healthy growth of 15.3%. Operating margins, pre-ESOP, expanded by 130 basis points to 22.8%, leading to a 22.4% increase in operating EBITDA to ₹31.1 crores. Our net profit also saw a 12% rise to ₹ 16.8 crores, resulting in a net profit margin of 12.3%. This growth is slightly lower on account of exceptional accounting of Rs. 3.3 crores in q1 towards acquisition-related costs.

Our business performance supported by strong financial discipline resulted in Rs. 15.8 crores increase in our cash balance which stood at Rs. 93.4 crores on 30th September.

In conclusion, our performance this quarter underscores strength of our strategy supported by operational and financial discipline. We remain committed to our vision of sustained growth and value creation for all our stakeholders.

Thank you for your attention. I will now open the floor for questions.

Moderator:

Thank you very much sir. We will now begin the question and answer session. Our first question is from the line of Nirali Shah from Ashika Stock Broking. Please go ahead.

Nirali Shah:

Hi, congratulations on the strong result this quarter. So, Manish, I have two question. I had a couple of questions to begin with. On your recent launch of MemUp which is, I believe, the first bioidentical hormone, could you just elaborate on the market that you are targeting with this product and what kind of growth prospects and competition are you expecting in this segment?

Manish Gupta:

So, Nirali your line was a little tough to handle in that sense, but I understand your question is on our recent launch of MemUp. Is that right?

Nirali Shah:

Yes sir.



Manish Gupta:

So MemUp is the first hormone replacement therapy product or the first product in the country to deal with menopause because for whatever, unfortunately, this topic is not an area which has been fully understood by the doctors as well as the patient population. They take it as a phase of life and while of course it is a phase of life, but the adverse mood swings and the other physical implications of menopause can be handled through these hormone replacement therapies such as MemUp.

So, we were the first ones to introduce. It's a long journey here, because we are working on creating an awareness both at the doctor level and patient level. And that's why you will see a lot of efforts are being put through our CSR initiatives under My Sakhi website wherein we are engaged with eminent doctors who are addressing and interacting with patients as also their fellow doctors on this subject every fortnight.

So, it's a long journey. It's a concept-building product something that has not been there in this country. Numbers are very insignificant at this point of time, but I believe it's the need of this country, given that now we have a significant population above 45 years of age. Does that answer your question Nirali.

Nirali Shah:

Yes, I got clarity on that one. Second, I had a question regarding our CDMO business. So, how well are we prepared for the sector tailwinds that are coming in from the CDMO side and how are we trying to capitalize on these opportunities?

Manish Gupta:

Nirali, we are not in CDMO business at all, we are a pure domestic pharmaceutical sales and marketing organization. We do not do any manufacturing, either for ourselves or for anybody else. So, CDMO is not part of our business model at all. Our intent is to leverage our strengths in India, which is a fairly interesting market. And there are significant opportunities to in-license products developed by global innovators who do not have presence in India. So, it will be a reverse for us. We are not into CDMO model at all.

Nirali Shah:

Okay, I guess I read in the IP that there is some kind of partnership in CDMO. So, got a little bit stuck there.

Manish Gupta:

No, we partnered with CMOs for manufacturing of our products or CMOs and or CDMOs to develop and manufacture our products. So, it is the other way. It is only for our new initiatives. Like, MemUp was a product that was conceptualized at our end and thereafter we partnered with CDMO for developing it for us, for the Indian market.

Nirali Shah:

Okay, I understood. And last one on the profitability front. We have seen a very significant jump in EBITDA margins this quarter. So, if you could help understand what are the key drivers behind this margin expansion, what kind of margin trajectory are we expecting for the full year FY25 and the view going ahead for the next three to four years?

Manish Gupta:

So, as you would have noticed in our outlook slide, which is the slide 23 of our investor deck, clearly, I mean, our margins are still below what industry delivers. We believe we have a fair bit of significant headroom that we can cover in the next couple of years. We have also offered guidance for the margins for the current year. Earlier, we were talking about 20% plus. Now, we are confident of 22% plus for sure. Difficult to predict the last number in the sense, in terms of



where we will end up. But we are fairly confident on improving our H1 margins in the current year for sure and delivering a 100 bps to 150 bps, if not more, margin expansion year on year over the next three years.

Nirali Shah: Got it. Any specific reason, any specific segment that is contributing and which is the reason why we are seeing this jump or betterment in the margins?

Manish Gupta: It is simply better utilization of our field force. So, as the sales grows, majority of costs in domestic pharma are fixed given that they are related to the field force related expenses. Our gross margins in the business are fairly decent at about 65%, if not more. And therefore, our growth in sales, which is where we are guiding towards 12% to 14%, will certainly lead to margin expansion as our costs do not go in proportion to that.

Nirali Shah: Got it. That answers my question. Thank you.

Moderator: Thank you. Our next question is from the line of Aman Saiffee from iWealth Management. Please go ahead.

Aman Saiffee: Sir, could you help me with the Yash Pharma revenue and PAT number for this quarter?

Manish Gupta: Yash Pharma revenue and PAT? See, Yash Pharma, we only acquired the business. We did not acquire the company. So, it operates as a division of the company and not anything more than that. Having said that, as I mentioned, if you look at our INR 74.7 crores sales, our core business without Yash Pharma grew by 5% for the current year and rest has been contributed. About INR14 crores out of that 74.7 is contributed by the Yash Pharma related division. We, of course, do not have divisional PMLs.

Aman Saiffee: Understood Sir, so the reason for me asking this question is because the acquisition as you said in your opening remarks that this has guide your revenue, so for the past two years your Jagsonpal Pharma is not really doing, so what is the reason behind that?

Manish Gupta: Aman, can you repeat your question, I could not fully understand.

Aman Saiffee: Sir, I was asking that our acquisition of the Yash Pharma has driven this quarter's revenue and profitability. So, I wanted to understand, sir, why is our standalone business not really growing for the past two years?

Manish Gupta: This, I think, I addressed in the opening remarks that since last August or September, we had faced headwinds in two of our key products. Between these two products, they accounted for almost a third of our sales. Dydrogesterone franchise and Indomethacin, both had different issues. One had hyper-competition, and one, of course, we faced with spurious product availability in the country.

So that really impacted our performance in the last 12 months. Both these issues are now behind us, and therefore, as I mentioned in my opening remarks, you see a recovery in our core business. We have grown 5% in our core business in this quarter, and this growth rate will now accelerate as we go forward.



Aman Saifee: Okay, sir, understood. And can you please elaborate on the specific synergies you realized from acquisition of Yash Pharma, both operationally and financially? How are these expected to impact on the overall growth and margins in the near term?

Manish Gupta: Yes. So, historically, if you look at Jagsonpal, we were present in very narrow therapeutic area, even within gynaecology and orthopaedics. So the CVM, as it is called, covered molecules in the entire INR220 lakh crores Indian pharmaceutical market. Jagsonpal was only present in about INR10,000 crores worth of molecules. Now, this strategy was fantastic because it gave us a very strong position in the areas we were in, but it limited our growth potential in some form. It was, therefore, important to expand our therapeutic coverage aligned with our strategy. So as a strategy, we want to stay in sub chronic segments.

By subchronic, our therapies or products that require consumption from between one month to a couple of months. So these are neither chronic, which are lifetime therapies, nor very acute, which are few weeks of therapies. These are subchronic therapies, and that's where Yash Pharma portfolio, which was in dermatology and paediatrics, was suitable to our strategy. It helps us expand our therapeutic marketplace. It was an under-managed business, so, therefore, we could see opportunities to synergize and create value out of it, and that's why we went ahead with that acquisition.

Aman Saifee: Understood, sir. And, sir, given the rising competition in some of the key therapeutic areas, like Dydrogesterone, how does the company strategically position itself to maintain the market share? What are the steps we are taking in terms of maintaining our market share?

Manish Gupta: So Dydrogesterone is one unique example, and I think we can probably have a little longer offline discussion, but I will try to give you a very quick perspective. This is a molecule which had only Abbott as the sole player for many, many years, because of lack of availability of API. This is one of the very few photosynthetic APIs, which was first developed by Mankind, second by Emcure, and third by Jagsonpal. And these were the three ones to launch.

All of the companies did well. Eventually, for some reason, the technology got leaked, and therefore, somewhere last year, we ended up with close to 80 players in the market, given that this molecule was almost a 1,000-pro molecule in India. That led to hyper-competition, and clearly, a lot of players suffered in the bargain.

I believe the market will now stabilize as some of the lesser players will go out, given that it is no longer profitable to be in this molecule with so many competitors. So things will only improve from here on. But for the time being, we are just maintaining ourselves, rather than being aggressive in this molecule. However, as I mentioned, this is an area of larger discussion, and I will be happy to take this offline with you.

Aman Saifee: Sure, sir. Thank you so much. That's it from my side.

Manish Gupta: Thank you, Aman.

Moderator: Thank you. Our next question is from the line of Neelam Punjabi from Perpetuity Ventures. Please go ahead.



Neelam Punjabi:

Thanks for the opportunity, and many congratulations on some good set of numbers. So my first question is on our guidance of 12% to 14% top line growth over the medium term. So if you could please highlight, what are the key growth drivers for this? Is this going to be largely organic? Are we planning to launch any new product introductions? And what would be the key therapy areas which would drive this growth?

Manish Gupta:

Yes. So Neelam, thanks for joining in. And clearly the 12% to 14% guidance that we have given is the pure organic growth. Any inorganic growth, which is of course part of strategy, cannot be predicted and will be additional to what we have indicated. Now coming to what will drive this organic growth, as is the case with Indian pharmaceutical industry, fundamentally there are three growth levers.

One is volume increase. Of course volume increase in the industry is slightly subdued for the last couple of years. Second is price increase. And third is new products. So I believe the 12-14% growth that we have been guiding to will be combination of the three with equal weightage for all of them. So I believe between 3% to 5% will be contributed by each of those. Of course some products will grow faster than the others.

Our strategy around new products is linked to the therapeutic presence that we are in. And typically we look at launching sub-INR100 crores molecules. So we actually do not go for large opportunities. We believe being a meaningful player in sub-INR100 crores molecule or sub-INR100 crores opportunity is a far more manageable, profitable and sustainable area of opportunity.

So that's the way we are going to work on. Fundamentally we are science-based company. We are not a pure commerce-driven organization in the doctor's chamber. We deal with the scientific requirements of the doctor. And I believe that the space which is less competitive, is little more difficult to crack.

So that is going to be also the way we choose our products. So you will see MemUp, which was the question asked by Nirali. It's a very conceptual product. It's going to be a slow grinding increase in sales. But I believe that will be for keeps for us. And similar is the strategy for all our new products or most of our new products. Does that answer, Neelam?

Neelam Punjabi:

Yes, sir. That's very helpful and quite elaborative. My second question is on our margins. So we have reached 25% margins this quarter. We are guiding for 22% for the whole year with 100, 150 basis points expansion going forward. So over the medium term, if you could highlight, what is the peak potential margins that our business can reach?

Manish Gupta:

So if you look at your domestic pharmaceutical businesses, most of them, once you have reasonable scale, operate at 30%-plus EBITDA margin. I think what we currently lack is that level of scale. But I believe in 3 years, we should be closer to 30%, if not breaching the mark.

Neelam Punjabi:

Okay. And if I look at our field force, we have about 900 plus MRs right now. So that means, as per Q2 numbers, our productivity stands at 2.8 lakhs. So whereas the industry operates, anywhere between 5 lakhs to 10 lakhs of productivity. So where do we see our number going forward?



Manish Gupta: Yes. So this is a very, very good question, Neelam. Fundamentally, the reason for guiding towards a margin expansion is actually coming from this only. So we believe in the current field force, we have all the coverage that is needed. So most of our growth will actually come from improved field force productivity.

The nature of the product that we have will not allow us to get that 5 lakhs and 10 lakhs PCPMs that some of the better companies or bigger companies can command. Because as I mentioned, our strategy is to look after smaller niche molecules. But having said that, I think getting it to 4 to 4.5 lakhs range in next 3 years is what is feasible. And that should translate into the guidance that we are giving.

Neelam Punjabi: Okay. And lastly, my question is on the cash balance of about INR93 crores in our balance sheet right now? So could you outline your capital allocation strategy? How much of this cash is your mark for potential acquisitions versus reinvestment in our business?

Manish Gupta: So our model is such that we actually do not require investments by itself in the business. In fact, our cash to EBITDA conversion has been close to 100% or 103% over last five years. I think there were opportunities to reduce our working capital. Most of that is over. But net of tax leakage, everything else will be converted to cash for us. So our business requirements are limited as far as strategies are concerned. So all of this cash and whatever we generate even going forward will be used for inorganic strategies only.

Neelam Punjabi: And lastly, if you can just highlight the strategy around inorganic and acquisitions going forward, what are we looking for there?

Manish Gupta: This is a difficult one because acquisitions are 60% strategy and 40% opportunity. So there are clearly -- there will be two sets of acquisitions we will be looking at. One is if we can penetrate deeper in the therapies that we already have. So if there are opportunities to acquire brands in the four therapies that we are already in will be one part of our strategy.

And second would be to expand into newer therapies which will be more like a business acquisition because that's where we will need separate field force like we did in the case of Yash Pharma. So it will be a two-pronged acquisition strategy. Brands within the therapies we are in or businesses with field force if we were to get into additional therapies. But our therapy choice will be sub-chronic. We shall not get into both acute and or chronic segments.

Neelam Punjabi: Got it, this is very helpful and that's all from my end. All the very best.

Moderator: Our next question is from the line of Subroto Sarkar from Mount Intra Finance.

Subroto Sarkar: Sir I'm pretty new to this company. So if you can just highlight like there is a change in the promoter and shareholding structure and new co-promoter has kicked in. So what is their background like if you can highlight that how they can add value to this company. And after this change, what is the management level change, field level change already being implemented and what is the plan on that?



Manish Gupta:

So this is of course requires a much larger discussion and I'll be happy to host you at our office in Mumbai and or in Delhi. But having said that, Infinity Holdings is a private equity organization. It's a perpetual fund unlike time frame funds which most PEs are, which means typically they invest, they do not have a time frame for investment. And they believe in compounding stories, which is where Jagsonpal fits very, very well for them.

This is their first and the only pharmaceutical investment. However, they are of course invested in many other industries like Hindustan Foods and they have also Fly91, which into airline industry. You can get more information on their company through their website Convergent Finance. In terms of management changes, I think the operating teams remain largely the same. But both -- I came in two years back and Ashish joined about a year back.

So both have been recent changes in a way in that context. But rest of the operating team, while we have made it a little leaner structure, but team remains largely the same. Does that answer your question? And rest I think we can take it offline.

Subroto Sarkar:

Just a small follow-up, sir, if you won't mind. Since you have mentioned that this is your first investment in the pharma space, so what out of, let us say, what is special about Jagsonpal Pharma which you feel like there is some special - like this company is different, number one. And second, what do you feel like what kind of value addition? First point is just to start with like what make you attracted to this company, number one. And number two is what kind of change or let's say transition or improvement which you believe you can do, sir?

Manish Gupta:

Again, I will just address it partially because this requires larger discussion. First, I am not a convergent nominee on the board or infinity holding nominee on the board. And pharmaceutical sector is not new to me. I have been a career pharmaceutical guy with 25 years in the industry, maybe more. Work experience in two large organizations largely Wockhardt group for 12 years and Strides group for next 12 or 13 years. So it's not a new industry for me. Having said that, for infinity holdings it was their first exposure into pharmaceutical industry.

And the reason for investing in Jagsonpal was A, they believe in India story and B, India is a branded generic market and within that Jagsonpal while it was a smaller company, it was a profitable, but slightly under-managed company. And they clearly saw an opportunity to create value here. C, of course, the quality of brand and the corporate image of the organization was very good with the doctors.

And the kind of product range that Jagsonpal had, the brands were fairly well-entrenched in the doctors' chambers. And finally, of course, it fitted in their framework of governance which is what I mentioned somewhere in my opening remarks also because it is a science-based organization and not a pure commerce-driven organization in the doctors' chamber. So all of these parameters I think attracted convergent who believes in compounding stories. Because I also mentioned that they are a perpetual fund and not a fixed lifetime or time-frame fund. So all of these parameters went behind their decision to invest in Jagsonpal.

Subroto Sarkar:

Perfect, sir. I would be in touch with you to understand it more, sir.



- Moderator:** Thank you. Our next question is from the line of Anupam Agrawal from Lucky Investments. Please go ahead.
- Anupam Agrawal:** Thank you so much for the opportunity and congratulations sir, on a great set of numbers. My first question is sir in the first half of INR136 crores of top-line, can you bifurcate between the therapies that we are presenting across the four segments?
- Manish Gupta:** Yes, I don't have perfect numbers, but I'll give you reasonably accurate numbers in that sense. 50% of our sales would be in the space of gynaecology. Another 20% odd will be in ortho and between Derma and Pedia would be the rest of the sales splitting almost equally.
- Anupam Agrawal:** So, fair to assume that INR75 crores done in the second half, am I clarifying INR14 crores was the year sum up?
- Manish Gupta:** That's correct. That's what I mentioned as well.
- Anupam Agrawal:** Okay. Understood. So, going forward 3 to 5 years what and how do you see the split across therapies going forward? I mean, if you can also call out the number of products that are in the pipeline, what are we looking at in terms of launches going forward?
- Manish Gupta:** Yes. I'll give you a little holistic answer here without giving specificity given the competitive intelligence here. So see we currently operate out of four divisions and in each division, we will probably see between two to three new launches every year. And these launches will encompass all the four therapeutic areas that we currently cover with, of course, a slight bias towards gynaecology because I think this company stands for gynaecology in doctors chamber. So, that's the broad thinking.
- I don't believe without inorganic strategies, this composition will change dramatically from where we are today. But there would be will be slight increase in gynaecology as would have been the case given the new launches also will have larger bias towards gynaecology. So, that number may slightly increase. But as a structure, I don't think it changes unless we do a significant inorganic initiative in either of the therapies or any new therapy.
- Anupam Agarwal:** Got it. That answers the question very well. My next question is, sir, in terms of coverage across the four therapies that we are in, how is your doctor coverage like? Let's say it's a 50,000-doctor pool for gyne. How many doctors are we today targeting? What is the plan going forward?
- Manish Gupta:** We cover about 80% of the gynaecologists. We cover about 65% to 70% of the orthopaedics. Of course, the numbers in derma would be again similar. Pedia may be a little lower because Pedia is more spread out in that sense. I don't think we need to change or increase our doctor coverage in terms of percentages. But we need to improve our doctor choice. And that's an exercise we are undertaking at this point of time. Doctor lists need to be upgraded. Any legacy company always ends up carrying a lot of historical baggage. So that is something which we are undertaking scientifically. How do we improve our doctor list, not doctor coverage. Coverage, I think, is adequate.



Anupam Agarwal: Understood. And are these doctors today fairly mixed of tier 1, 2, 3, 4? Or what is the presence of the doctor like?

Manish Gupta: So, I think it's a fair mix, I would say. To some extent, Jagsonpal, which is largely known also. But there is only one market where Jagsonpal is not present, which is Mumbai. Otherwise, we are well established across the country. Jagsonpal has never entered Mumbai. As of now, we don't see a reason to get into Mumbai because it's a very competitive market. But otherwise, we have a well-established presence across all the tier 1, 2, and 3 kind of markets.

Anupam Agarwal: Understood. Sir, last question from me. So, Dydrogesterone, the market you mentioned was a INR1,000 crores market. And because of the competition, they were suffering. Is the end market today even INR1,000 crores or the market has also shrunk?

Manish Gupta: No, no. Market has not at all shrunk. So, Anupam, I will take it separately because it's a very long discussion point. It's a very unique kind of molecule. And that's why it requires a different understanding of this molecule. Having said that, market has not shrunk. It's just that there were hundreds of competitors or 80 plus competitors as per IQVIA that came in within 6 to 12 months. And each one of them were carrying a fair bit of inventory.

So, therefore, then you become desperate and dump it in the market. In that context, we took a backseat because we kind of went slow in the marketplace. I believe this market will kind of clean up as the product that is currently flushed in the market starts expiring or starts losing shelf life. And we will make a comeback in a kind of some period of time. But as I said, this is a much larger area of discussion and we can have a separate conversation around it.

Anupam Agarwal: Just last question, if I may. Just wanted to know your thought process of being a fully outsourced manufacturer for products and not going into the entire value chain, controlling the production and everything. What's your take on that? And with respect to Yash Pharma also, is the product getting manufactured at the same site as where the Jagsonpal products are being manufactured or it's a different vendor altogether?

Manish Gupta: So, I will address this question in two forms. One is from an overall perspective and one is from a Jagsonpal perspective. Clearly, I think you need a blend of both outsourced and in-house manufacturing, especially where if you are also having international business. Jagsonpal, fortunately, is a pure India-centric business. So, therefore, technically, we do not require manufacturing. Secondly, Jagsonpal's range of products, see, we fundamentally are a hormone company.

So, our gynae presence that I mentioned, almost 50% of our revenues come from gynae. That's predominantly hormonal products which require dedicated manufacturing. Historically, JPL or Jagsonpal had manufacturing at Faridabad, which unfortunately, I mean, as the cities expanded, it became part of a metro or urban city of Delhi.

And therefore, there was difficulty in continuing that production and hence it was shut down. There was a choice to establish a new facility versus doing outsourcing. And I think a very conscious call was taken to outsource, simply because at this scale, you cannot keep the plant fully occupied and therefore, it becomes inefficient.



So, from a Jagsonpal perspective, I think outsourcing is the right strategy. Having said that, we have a very strong QMS organization. I come from a purely regulated market background and therefore, for me, quality is first, which was also a shared perspective with the erstwhile promoters.

So, that gave us the confidence that we do all the right things in ensuring quality. Yash Pharma business, which we have just acquired, Yash was a manufacturing organization and also they had export business. So, the way the transaction is structured, we continue to source from Yash Pharma's manufacturing setup.

It cannot be manufactured at our current other third-party location, simply because the nature of products are very different. One is hormonal and this is liquids and creams predominantly in the, both the Pedia and Derma are liquids and creams fundamentally.

Anupam Agarwal: Got it, sir that answers all my questions, thank you so much for answering them and wishing you all the best for the festivities. Thank you.

Moderator: Our next question is from the line of Alisha Mahawla from Envision Capital.

Alisha Mahawla: This is Alisha. Sir, with Yash Pharma, the acquisition, can you just reiterate what did we pay to acquire this division of Yash Pharma and what is the size of portfolio that we acquired in derma and Pedia?

Manish Gupta: Yes. So, we have not acquired the company. We have acquired the India and Bhutan business of Yash Pharma as was mentioned in stock exchange disclosures. I think the company did about INR48 crores of sales last year. When I say company, I mean the business. The business that we acquired had about 48 crores worth of sales in last 12 months.

Roughly 60-40 split between Derma and Pedia. That was the broad numbers as far as Yash Pharma business was concerned and their initial operating margins were in the region when we acquired, were in the region of about 12%. This is based on what we have disclosed and what was the diligence information.

Alisha Mahawla: And what did we pay to acquire this?

Manish Gupta: We paid INR94 crores to acquire.

Alisha Mahawla: And what kind of MR addition have we done in the last three years?

Manish Gupta: Organically, 30 to 40 people in the last three years. But I think a larger increase came out of Yash Pharma because about 220-240 odd medical reps got added through that acquisition.

Alisha Mahawla: And with respect to inorganic, while you did mention that it would either be for brands and existing therapies or new therapies, is there any road map that we are planning to maybe do one acquisition every year or every six quarters? Do we have a road map internal target like that?

Manish Gupta: Not really, because as I mentioned, acquisition is always fair bit of strategy and bit of opportunity. So, we are not desperate for acquisition. For me, entry price of any acquisition is



very, very important. So, if we get something which fits our strategy and also fits our price, we will go for it. Else, we are happy to either sit on cash or even return the cash to our shareholders.

Alisha Mahawla: And just one last question, what kind of product launches we would have done in the last three years?

Manish Gupta: Come again?

Alisha Mahawla: What kind of product launches we would have done in the last three years?

Manish Gupta: Within the therapies that we are in, we have made like Dydrogesterone was a new launch about 28 or 30 months back, which became very big. So, it is all within the therapies predominantly in gynecology that we have done in last three years. Of course, going forward, we will also see new launches in both derma and pedia.

Moderator: Thank you. Our next question is from the line of Milan Shah, who is an individual investor. Please go ahead.

Milan Shah: Good morning, sir. Thank you for the very insightful and transparent discussion that you are conducting. My question is about the competitive mode of the company, because you mentioned that we do not want to manufacture any molecule. More or less, it is a kind of a trading company. So, what is our USP which others would not be able to replicate?

Manish Gupta: See, India is a branded generic market. And if you see, even the largest Indian company will be outsourcing more than 80% or 90% of their production for India. So, while most of them have manufacturing, but it is predominantly for their international business and not for their Indian business.

So, therefore, our strategy is not very different from others for India market. Let me put it as point one. Secondly, most Indian manufacturing that happens for India, even in the big companies, was purely for tax reasons.

And not otherwise till those tax holidays existed. That's why, if you recollect, the manufacturing kept swinging from Daman to Goa to Badri and then to Sikkim and now to Jammu. So, manufacturing dynamics for India are very different from global manufacturing dynamics.

And I don't think manufacturing is any competitive advantage in the Indian context. What we really own or what is our strength is presence of medical rep in doctor's chamber, given that he has been visiting doctors for over 40 years.

I am not suggesting that people have been around for 40 years, but the company has been around for 40 years. There is a fair bit of comfort and confidence on the quality systems, on the products and the kind of products that we offer to the doctor. So, it's really our ownership of the doctor's chamber that we are good at.

And as I mentioned, this is science-based. This is not a commercial discussion that we have in the doctor's chamber. It's a science-based discussion. Our nature of products are very high doctor



intensity, I would say. Most of them are gynaecology products and support pregnancy in some form or the other.

And therefore, a doctor will never take a chance. It's a very well thought out strategy, I would say. I was not the originator of this strategy in Jagsonpal, but that is something I loved and that's why I took this responsibility. Does that answer your question?

Milan Shah:

It does. I just have a follow-up question. So, I think, you know, from what you say, a large part of the Jagsonpal success perhaps is determined by the choice of molecules that you go for. So, what is our strategy? Do we kind of take it as a license from, you know, established international manufacturers and then outsource it? Or these kinds of products which, you know, anybody can get it outsourced?

Manish Gupta:

No, no. Clearly, choice of molecule is very, very critical. Or choice of concept is very, very critical. Many of our products are concept molecules or concept products. As I also mentioned, we pick small niche areas, some hundred crores opportunity or things that will not command too much attention from competitors. Most of the choices that we make are hard choices.

When I say hard choices, like this menopausal product, we need to establish the concept in India. We know it is going to be a long journey, but we believe time has come for India to have this. So, these are the kind of choices we make, which also includes opportunity to in-license products.

There are a lot of women healthcare companies globally, which do not have presence in India, especially European companies. And we would love to become their partners of choice for marketing their products in India. So, that's the broad thinking that we are working on.

Milan Shah:

Right, sir. Thank you so much and I appreciate all the good work you are doing.

Moderator:

Thank you. Our next question is from the line of Sriram R, who is an Individual Investor. Please go ahead.

Sriram R:

It's a follow-up to the previous question. So, from what I understand, apart from marketing, basically you add value in the doctor's rep part. That is your basic competitive advantage, right? That is what you said. And also you mentioned that you will be entering sub-INR100 crores molecules. So, without R&D capability and manufacturing facility, how will you enter these new white spaces? Can you just elaborate that?

Manish Gupta:

So, I think Indian market is full of CDMO. So, will we own the concept? See, first is, even if I had to have my own R&D, I cannot have complete R&D setups, which can develop every kind of product. So, it is always better to deal with experts in that area, which is what we do. So, there are plenty of CDMO organizations, R&D setups, who are happy to develop the product that we have in mind for a cost. And then we have CROs who can undertake the required trials.

So, I don't think manufacturing and or development capabilities are any restriction for doing business in India. Or even for most of the world. World over, if you see, even in U.S., and all, there are plenty of virtual companies, which are far more -- it was really the Indian companies



who went outside India and required manufacturing, because plants needed approval. And that's where this entire origination of discussion comes from. But otherwise, a pure marketing or a country-specific operation does not really require manufacturing.

Sriram R: And just one more question. What is the name of the product that you mentioned, which deals with this menopause? Can you spell that out for me?

Manish Gupta: The brand name is MemUp.

Sriram R: MemUp.

Manish Gupta: Yes.

Sriram R: Thank you so much. All the best.

Moderator: Thank you. Our next question is from the line of Raaj from Arjav Partners. Please go ahead.

Raaj: For Q2 FY '25, how much is our organic growth? 5%?

Manish Gupta: In the first half, our organic growth is 2%, between 2% and 2.5%. Largely driven by 5% growth in Q2, because if you recollect, our Q1 was almost flat.

Raaj: Okay, So we are expecting full year organic growth of 12% to 14%, right?

Manish Gupta: No, this year, the organic growth will be higher than 14%, simply because last year's second half was terrible for us. I won't claim it. We have done a great job. That full year growth will be higher than 12% to 14%. It's just that the base for second half is not too good.

Raaj: Alright And sir, you have also directed for 22% plus EBITDA, right?

Manish Gupta: That's correct.

Raaj: And this EBITDA margin is expected to increase 1 to 1.5% year on year for at least next 3 to 4 years.

Manish Gupta: That's correct.

Raaj: All right. And sir, are we actively looking at any acquisitions going ahead?

Manish Gupta: We are always looking and also never looking. That's the way I look at it. As I said, bit strategy, bit opportunity. We don't have to look. Of course, people come and offer. There are plenty of bankers in the country. So they are always knocking our doors. Everyone knows we are sitting on cash. Everyone knows our strategic intent of acquisition.

And in the scale that we are in, actually, we do not have much competition. In our country, either there are big buyers, likes of Torrent and Mankind and what not. But in the space that we are in, I think there is not much competition. So there are bankers who keep knocking at us and we look at it if there is a strategic effect.



Raaj: And sir, the sales per MR is around 2.8 lakhs per month per MR. Around that figure, right? How will you reach 4.5 lakhs in next 3 years' time? Because if I look at the coverage, the coverage is pretty much fine. It's around 85% in Gynac and 56% Pedia. So I wanted to understand what strategy are you planning to adopt to increase the sales per MR?

Manish Gupta: Yes. So typically if you know each MR has a doctor list of either 120 or 150 as the case may be, but unless you do good quality homework you realize that only 30 to 40 or in some cases 50 will be prescribers in that and 100 are wasted energies. So a lot of - it requires a lot of homework, a lot of execution work and this is something I alluded in the form of getting our doctor list right. There will be overlapping doctors. So given that we are a legacy company and even Yash Pharma acquired business is a legacy business, there is a lot of course correction we need to do at our ground level in terms of doctor list and doctor coverage.

Raaj: Okay. I understand.

Manish Gupta: Yes. The PCPM growth will come from that. So if we have say 50 prescribing doctors in average territory, how do we take it to 60 or 75? How do we get more prescription from the 50 where we are already entrenched? Are they writing one product or two products or three products? So those kind of things and for which we also need to keep training our MRs better. So that's an area we are investing.

Raaj: Understood sir.

Manish Gupta: No easy answer to be candid, but we are doing a lot of things behind the scenes to make things happen.

Raaj: Okay. Sir how much is the attrition rate of MRs currently?

Manish Gupta: 20% plus. Close to 30% in last year's second half. Obviously when the going gets tough, people tend to leave, but otherwise we are in between 20% and 30% which is generally the attrition rate in this industry.

Raaj: All right. And sir, how to go about the strategy to retain the MRs?

Moderator: Sorry to interrupt Mr. Raj. We request you to get back to the question queue for any follow-up questions. Our next question is from the line of Saket, who is an individual investor. Please go ahead.

Saket: Yes. Thanks for the opportunity. So Manish, if I look at the deck that you have shared, if we take a look at the branded generic market that say India is. See one of the major success driver is the brands that you develop. Now if I look at your slide 17 where you have talked about key brand progression then most of these brands which I assume are the legacy Jagsonpal brands, which account for 70% of your sales, most of these maps have declined over the last year or so.

So what would you attribute this decline to? Is it largely because of those serious products or has it been like you are recalibrating some of the strategy around these brands that some of the degrowth in sales has taken place because of that?



Manish Gupta:

Yes. So, as I mentioned somewhere during the call, last year second half we had a tough period for both our key brands, Indocap and Divatrone which used to be the top two products of our company. Now what happens is the moment you lose stream in that context, the field force tends to give up because a lot of remuneration of the team comes from incentives.

People are highly incentive driven in the field. So when two of your key products are not doing well for various reasons, some of them outside their control, they also tend to give up on the other products which is why many of our brands declined on a MAT basis, if you see, but if you look at the first half average other than Divatrone you will see that all of them have made a strong comeback. And that's why I'm saying last year, second half is what has pulled us down. It had to do with the two key products.

But all our key brands are now back on the growth track. There is a momentum. The field force is now again back to their highest levels of motivation and which is beginning to reflect in our performance both in the current quarters and also going forward.

Saket:

Okay. Thanks for the clarification. Now my second question would be you're talking about inorganic play. So inorganic, what would be the priority for inorganic play? Is it like looking at acquiring more brands either to support branded generic or there is a concept of basket brands to support the existing brands or your focus will be more on say entering into new therapy areas or acquiring new capabilities like field force which might be slightly more dynamic than the legacy field force that you are currently dealing with. So what would be the focus area of these acquisitions?

Manish Gupta:

Difficult question. I think all three are focus areas, but I think the challenge in acquisition is more pricing than strategy. And strategy-wise, clearly, I think the largest positive synergies always comes from brand acquisition rather than business acquisition.

Okay. So, priority-wise, it will be always a potential brand in the therapies that we are in, followed by business or new therapy. But I think what constraints is the pricing environment currently prevalent in the market. Expectations are so high that it simply doesn't make sense to acquire any of those targets.

Saket:

Okay. So, when you say pricing, it is valuation here, right?

Manish:

Yes, that's correct.

Saket:

Now, my last question is, you know, you talked about that spurious brand issue that you faced. So, is it now behind us? You know, are we now done with and so on? Can you talk about some of the initiatives that you undertook, like is it like QR code or something like that, which you think would now help avoid such fiascos in future?

Manish Gupta:

No. So our core strategy, as I mentioned, is always to go for sub-100 crores or lesser-sized molecules. Now, Dydrogesterone was an exception for us as a strategy simply because of the API development that the company undertook, and it was never expected to become a highly competitive molecule.



So therefore, I don't think we'll have a repeat of that kind of scenario simply because other than Dydrogesterone, we do not have a mass molecule or mass market molecule in that context. Having said that, again, this question, I mean, because it relates to a lot to our strategy, I think I would be happy to take it offline given that it will require a much longer answer.

Saket: Sure, sure, Manish. I appreciate your transparency and maybe looking forward to connecting with you sometime. Thank you.

Moderator: Thank you. Ladies and gentlemen.

Moderator: So, I would now like to hand the conference over to Mr. Manish Gupta, Managing Director for closing comments.

Manish Gupta: Yes. Thank you, all the participants, for your valuable questions and engagement today. We appreciate your interest in Jagsonpal and your continued support as we navigate this pivotal phase in our growth journey. As discussed, our recent performance reflects our resilience as also the effectiveness of our strategic initiatives, particularly in light of our recent acquisition and return to growth in our core products. We remain committed to leveraging our scientific expertise and operational efficiency to create long-term value for our stakeholders. Should you have any further inquiries and or additional information, please do not hesitate to contact our investor relations team at Go India Advisors.

We remain committed to engaging with all of you, fostering transparent communication as we continue advancing our objectives of creating value for our stakeholders. Thank you once again for your participation and wish you a great day ahead. Thank you.

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