Emcure

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To,

National Stock Exchange of India Limited **Exchange Plaza, C-1, Block G,** **Bandra Kurla Complex, Bandra (East),** **Mumbai – 400 051** **Script Symbol: EMCURE**	**BSE Limited** **P J Towers,** **Dalal Street,** **Mumbai- 400 001** **Scrip Code/Symbol: 544210/ EMCURE**

Dear Sir/Madam,

Subject: Transcript of Earnings Call - Q1 FY25

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and further to our intimation dated August 8, 2024, please find enclosed the transcript of the Earnings Call for the Q1 FY25, held on Wednesday, August 14, 2024 at 8.30 a.m. (IST).

The above-mentioned transcript is also being uploaded on the website of the company i.e. https://www.emcure.com.

You are requested to take the above information on your records.

Thanking you,

For **Emcure Pharmaceuticals Limited**

SHARMA CHETAN RAJENDRA

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Date: 2024.08.19 16:37:16 +05'30'

Chetan Sharma
Company Secretary & Compliance Officer

Emcure Pharmaceuticals Limited Q1 FY25 Earnings Conference Call

August 14, 2024

MANAGEMENT: **MR. SATISH MEHTA – GROUP CEO, EMCURE PHARMACEUTICALS LIMITED**
MR. TAJUDDIN SHAIKH – CFO, EMCURE PHARMACEUTICALS LIMITED
MR. VIKAS THAPAR – PRESIDENT-CORPORATE DEVELOPMENT, STRATEGY AND FINANCE, EMCURE PHARMACEUTICALS LIMITED
MR. PIYUSH NAHAR – EXECUTIVE VICE PRESIDENT, CORPORATE DEVELOPMENT AND STRATEGY, EMCURE PHARMACEUTICALS LIMITED

Moderator: Ladies and gentlemen good day, and welcome to Emcure Pharmaceuticals' 1st Quarter Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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. Piyush Nahar from Emcure Pharma. Thank you, and over to you, sir.

Piyush Nahar: Thank you, Neerav. Good morning, everyone.

Last night we released our Financials for the 1st Quarter of Fiscal 2025 along with the Press Release. These are also posted on our website. We hope you all had the chance to review it. I would like to bring to everyone's notice that this call is being recorded and the recording and transcript will be available on our website.

To discuss the Company's business performance and outlook, we have on the call our Group CEO – Mr. Satish Mehta; our CFO – Mr. Tajuddin Shaikh; and our President - Corporate Development, Strategy and Finance – Mr. Vikas Thapar.

Before we begin, I want to remind everyone about the safe harbor related to today's call. Today's discussion may include certain forward-looking statements which must be viewed in conjunction with the risks that our business faces that could cause our future results, performance or achievements to differ significantly from what is expressed or implied by such forward-looking statements.

At the end of the call, if you have any queries remaining unanswered, please free to contact us at investor.relations@emcure.com.

I would now request our CEO – Mr. Satish Mehta to provide the "Opening Remarks". Thank you, and over to you, sir.

Satish Mehta: Thanks, Piyush. Good morning, and thanks for coming early morning. Deeply appreciated. It's a pleasure to speak to all today to present our 1st Quarterly results update.

To begin with, I would like to thank all the investors, stakeholders and partners who helped us achieve a very successful listing. Once again a big thank you. We are delighted to have received a very strong response from the investors. I am acutely cognizant of the fact that the response and faith the investors have reposed in us puts enormous amount of responsibilities on our shoulders. We have always worked keeping in mind the interest of all shareholders and will continue to do so going forward.

We are now embarking on a new journey as a listed company, and I would therefore ask for your support and guidance as we work towards building a great institution. Since this is our first call, I will start with providing a brief description of how we have built our business. I would like to talk about our strengths and strategies going forward. Post that, I would provide a brief update on our business overview and would then request our CFO Mr. Taj to provide the financial details, highlights for 1st Quarter. Post that, we would open up for question and answers.

Now with that, I would like to talk about our strengths. As I have been repeatedly saying, the company has been built on science, technologies and innovation, and I am also a post graduate in organic chemistry. So, to that extent, science is very, very close to my heart.

First, I would talk about our India business. In India we are ranked as 12th largest pharma company in the industry and as the 4th largest pharma company in our covered market. We are led by our strong R&D and strong sales and marketing. We are leaders in women health care, through our Anemia franchise. Orofer XT is the 17th largest brand in the pharma industry as per AWACS.

In Cardiac, we introduced the concept of chirality. We are amongst the top 5 company in cardiac. We recently took over the entire Sanofi cardiac portfolio to promote and distribute, thereby further augmenting our position in the field of cardiology.

We market Tenecteplase for acute ischemic stroke where we hold the global patent for the indication. Tenectase is on track to become an anchor brand and is leading our foray in CNS.

Historically, we have been focused on metros and Tier-1, and the company has been built on the back of support of specialists and differentiated products that we have been marketing for last 25 years. I am happy to state that specialists make up 70% of our prescriptions. We have now started focusing more on Tier-2, Tier-3 and Tier-4 markets with a basket of our established products. We have recently added 1,200 sales people in the last 18 months, taking our field strength to over 5,000.

After having spoken about our India business, now let me turn to our International markets. Our focus in the International markets is also on differentiated products with emphasis on complex injectables.

As far as Canada is concerned, we entered Canada through acquisition of Marcan Pharma in 2015. Last year we acquired a second company in Canada to expand into Quebec. We are now a leading player in Canada and among the top 10 in generic players.

As far as Europe is concerned, we acquired Tillomed in 2014 and used that as a base to expand Europe-wide in other countries and have scaled up 10x over a period of last 10 years.

As far as emerging markets are concerned, the strategy is to take our differentiated products from India and Europe and Canada to emerging markets. As far as the emerging markets are concerned, what we have seen, these markets behave like India and have great potential. In many of the emerging markets, we have our own front end and in many of the markets, we market our products through our partners and distributors to reach all these markets.

Having talked about the business, I would now like to turn on our strategy going forward. We will continue to focus on India and emerging markets as these together form two-thirds of our revenues.

Over the last 12 months, we have made investments in both our front end - through field force addition and in manufacturing capacities by operationalizing four new facilities. This is with the view to provide better growth levers over the next two-three years for both India and international markets.

In India, our strategy will be to focus on reach and penetration. In many of the therapies, we are very strong, and we will keep on augmenting on these therapies and building on it like gynec and cardiology and vitamins and others, but we will also focus on diabetes, CNS and derma, where a lot of work needs to be done. We would like to focus on these segments going forward.

We will also work on improving the productivity per person as far as the India business is concerned. In India business, since the business has been built on differentiated products, many of them coming from our R&D, where I am very happy to say that mine is one of the company, which is strong in both chemistry and biologics. We have launched seven biologics in the industry. So, we will keep on focus on our science, technology, innovation and our R&D will continue to give us new products for both India and international markets.

Additionally, we will also look out for in-licensing arrangements like Sanofi. The Sanofi project is going very well. The integration has been excellent. We will keep on looking for such opportunities going forward.

We have been very successful as far as merger and acquisition is concerned in Canada and Europe. I talked about Tillomed. I talked about Marcan. I talked about Mantra. We will now look at M&A in India as well.

So, as far as the strategy is concerned, we will be focusing on both organic growth as well as inorganic. We would look at inorganic opportunities like in-licensing arrangements or acquisition going forward while at the same time focusing on improving the productivity per person and also trying to ensure that we improve our reach and penetration by going to Tier-3, Tier-4 markets, Tier-2 markets now going forward.

Before I go to 1Q results, let me tell you our long-term vision and also address a key question up front which I expect to be there. Overall, our aspiration is to be a top 10 player in India not just in terms of revenues but also profitability. The business is a free cash flow generating with high return on capital and you will see that improving year-on-year.

I also want to address up front one question, which will come up, which is on U.S. business which we demerged 3 years back. So, let me clarify. U.S. business is with tremendous amount of volatility, low predictability, highly capital intensive with low free cash flows. We have consciously taken a view to keep it out of Emcure and focus on the business of India, Emerging market along with Canada and EU(Europe), which are lot more stable and predictable.

We have ring fenced the Emcure business from the volatility of the U.S. business. The business we now have is similar to consumer business. The base margins are good, but we are currently investing, which has suppressed our margins in the short term. As we move forward, you will see margins and return ratios improving quarter-by-quarter.

Now, let me provide a brief review of 1Q performance.

In the 1st Quarter, we have delivered a robust performance with total income growing by 17% year-on-year and EBITDA growing by a growth of 16%. Taj will be giving you more details as I pass on the baton to Taj after some time.

Business wise, India business is doing well. We have been impacted due to one of our key products Ferric carboxymaltose (FCM) going off patent in October last year. Ex of this and without factoring Sanofi, our base business has grown by 7%. I am very happy to state that Sanofi business has integrated well, and we are on track.

In international business, we are seeing green shoots. Europe is growing at high single digits. The launches here are back ended, so growth will pick up more from quarter 4. In Canada, both base businesses and Mantra is doing well. Organically, the business is growing double digits and we are quite positive as far as Canada goes.

Emerging markets, we have a healthy order book both in non-ARV and ARV segment. In our non-ARV segment, we are seeing traction for our differentiated products, and we saw robust growth in this segment. I am happy to say that we are also in the process of registering our biologics in the emerging market and we see a great potential for our biologics in the emerging markets going forward.

The quarterly growth tends to be volatile in this segment. The quarter growth for emerging markets is bit muted as our ARV orders are more from this quarters in the current year. So, you will see an uptick in emerging markets going forward.

With this, I would now request Taj, our CFO, for more details on the financials. Thank you very much.

Tajuddin Shaikh: Good morning, participants. Welcome to our first Con Call. As mentioned by the CEO, 1Q has been a good quarter for us. Our revenue from operations grew by 17% year-on-year to 1,815 crores for 1Q, growing from 1,556 crores in 1Q of FY '24.

Our domestic business grew by 14% year-on-year to 909 crores, aided by Sanofi's portfolio offsetting the decline due to FCM. Ex-FCM and ex-Sanofi registered a steady growth of 7% Y-o-Y and 8.4% Q-o-Q.

Our international markets, which represent 50% of our revenue, grew at a robust 19.5% to 906 crores, led by our Canadian and European markets. Canada grew to 294 crores for 1Q, aided by the Mantra acquisition. Ex-Mantra also, the base business growth was in double digits. Europe experienced high single digit growth, growing to 358 crores for 1st Quarter. For emerging markets, our sales stayed flattish, owing to seasonality and timing of the order.

Gross margins for the quarter stood at 62.4% against 63.6% in quarter 1 of FY '24. The decline is due to business mix. Sanofi business is at a lower margin.

Our EBITDA grew 16% year-on-year to 360 crores. EBITDA margin stood at 19.8%, similar to 1Q last year. This is despite the 4 new plants which were operationalized over FY '24.

Depreciation and amortization expense increased to 94 crores from 67 crores year-on-year due to the Mantra acquisition and operationalization of 4 new plants. Q-o-Q depreciation is flat.

Our interest cost for the quarter was at 59 crores, which will be lower going forward due to the reduction in debt. Our expected tax rate for 1st Quarter was at 26%.

Our PAT for 1st Quarter stood at 153 crores, growing 8.2% year-over-year. Growth is lower due to the amortization of Mantra and new facility depreciation.

Before I conclude and move to the Q&A, let me provide a brief view on full year. Our 1st Quarter last year was very strong, and hence the organic growth of the current quarter is a bit below trend. For the full year, we expect overall revenue growth of 20% plus. Even on margin front, we expect full year margins to be between 20% and 21% as we see operating leverage play out.

We can now begin the Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ajay Sharma from Maybank. Please go ahead.

Ajay Sharma: Thanks for the update. Can I check how much was the contribution from Sanofi in Q1?

Piyush Nahar: So, we are not breaking that out, Ajay. So, as I said, ex Sanofi, ex Mantra, the business has grown 7%. I think from that you can get a sense, but we are not breaking out those revenues.

Ajay Sharma: 7% organic, is it, for the 1st Quarter?

Piyush Nahar: Ex-FCM, organically we have grown 7% for the quarter.

Ajay Sharma: So, that seems below trend actually. So, the Indian-based business has not grown that much, is it? Basically, where is the shortfall? Other than the rest of the world, I guess.

Piyush Nahar: So, India, if you look at it, I think there are a couple of reasons. One is, last year for us, the first quarter was very strong. Usually, given our acute portfolio in Zuventus, the second quarter and third quarter are the strongest quarter. But if you look at last fiscal year, 1Q was largely similar to 2Q. So, of this high base, the growth looks a bit subdued. If you look at the AWACS and some of the external tracking, despite this, ex-FCM, we are organically growing slightly ahead of industry.

Now, if you look at from operational perspective, we are seeing growth accelerating ahead. Some of the operational metrics we are seeing positive results. So, if you look at it, we have been talking about our focus in domestic markets over last 18 months has been, one, on converting more doctors, and secondly, increasing our prescriptions for doctors. Both we are now seeing results. So, our total prescriber base has grown by about 4.5% over the last 12 months. Similarly, we are seeing an increasing number of doctors co-prescribing our products, there though is still a lot of room to improve.

And if you look at the number, you see this acceleration also reflecting in our quarter-on-quarter number. So, our Q-o-Q base business has grown by 7% including FCM also. Some of our top brands like Orofer XT, Tenectase are seeing very strong growth. So, our target for the full year is to grow ahead of industry by about 200 basis points, and we think we are on track for that.

So, another factor that you are seeing a bit muted growth this quarter is also because this quarter the focus especially on the cardiac side was more on integration of Sanofi. And you will see those benefits coming out from 2Q and 3Q.

Ajay Sharma: And then secondly on the margin, did you say EBITDA margin of 20% to 21% as compared to 18.5% for the 1st Quarter?

Piyush Nahar: Yes. So, overall for the for current 1st Quarter, we were at 19.8%. For the full year, we will be between the 20% to 21%.

Ajay Sharma: So, you are including other income in that basically, is it?

Piyush Nahar: Yes.

Moderator: Thank you. Next question is from the line of Jay Achara from Acharya and Associates. Please go ahead.

Jay Achara: What is breakup of R&D cost in total cost? Just one question. And the second is, do you have any seasonlity in income, like any quarter would be higher and any quarter would be lower?

Piyush Nahar: So, R&D was around 4% for the quarter. In terms of seasonality, as I mentioned, domestic business usually 2Q, 3Q is stronger because of the acute piece there. In terms of the international market, usually 2H is stronger for us than 1H.

Moderator: Thank you. Next question is from the line of Tushar Manudhane from Motilal Oswal. Please go ahead.

Tushar Manudhane: Sir, just on the domestic foundation side, if you could share the breakup of MRs into acute and chronic therapies and MR productivity respectively?

Piyush Nahar: So, our total MRs is about 5,000 and roughly about 50, you will have a 50-50 acute and chronic between that. In terms of PPM, therefore, the 1st Quarter we were at about 6.3 versus last year we were at 5.8.

Tushar Manudhane: And what is the MR attrition rate typically?

Piyush Nahar: I think it is in line with the industry between the 20% and 30% around that figure.

Tushar Manudhane: And lastly on this aspect, how do you intend to improve the productivity going forward?

Vikas Thapar: Hi, this is Vikas. I will take that question. As we mentioned, we have actually added close to 1,200 MRs in the last 18 months. And this was spread across both our chronic and acute side – In our Zuventus acute side of the business, we expanded quite significantly and split vertically our main division. In the chronic side as our CEO mentioned, part of our strategy is to go into some of the Tier-2, Tier-3 cities and so that team has expanded. And so as that team continues to ramp up and we see the productivity improving for some of the new hires, that will automatically drive, our productivity levels. We believe our productivity levels will be closer to 7 by year end versus the 6.3 that we delivered in Q1.

Tushar Manudhane: And maybe the presentation is not yet on the website. So, just if you could break down the domestic combination growth into acute growth and chronic growth for the quarter?

Piyush Nahar: I think for the quarter ex-FCM, our acute was slightly better growth. It would have been about closer to 8%. Chronic would have been about 6% odd.

Tushar Manudhane: So, Chronic has grown at a lower rate compared to acute?

Piyush Nahar: Slightly lower, yes.

Moderator: Thank you. Next question is from the line of Gagan Thareja from ASK Investment Managers. Please go ahead.

Gagan Thareja: The first question is around the debt. I think one of the objectives of the IPO was to pare down the debt. Can you give us the debt number post the IPO? How much has it been reduced down by?

Tajuddin Shaikh: So, our debt today is close to 850 crores. Prior to the IPO, it was around 1,550 crores.

Gagan Thareja: You are talking about gross debt here or net debt?

Tajuddin Shaikh: Net debt.

Gagan Thareja: Can you give the gross debt numbers, please?

Tajuddin Shaikh: Gross debt number would be close to 950 crores.

Gagan Thareja: Versus?

Tajuddin Shaikh: Versus 2,000 crores.

Gagan Thareja: Because it doesn't really reflect fully in the interest cost as far as I can see. So, the other question is around the outstanding litigations that there were a couple of outstanding litigations and settlement was supposed to have happened. What's the status there?

Tajuddin Shaikh: First, let me answer, sir, on the interest cost. The interest cost benefits will be coming some in this quarter and then going forward, the entire benefit will be coming in from quarter 3 and quarter 4.

Piyush Nahar: So, Gagan, the cash from the IPO came in only from July 10th. So, that's where the benefit will come through in 2Q. Vikas, you want to take on the litigations front?

Vikas Thapar: Yes. If we are talking about the litigation, there was a U.S. litigation, which is obviously part of an industry-wide litigation, as was highlighted in the prospectus. We had actually reached a settlement with the three major classes. That settlement encompassed a payout from the now demerged U.S. entity, which is responsible for making good that entire amount. So, it's basically cash neutral from Emcure's perspective. And I think in all three of the cases, there is a process by which the counterparties have to basically file with the courts, which then recognize the settlement from both sides, the defendant and the other side. And so, we are at different stages of that being done. So, that is basically on track in line with what we have already highlighted recently as part of the IPO prospectus.

Gagan Thareja: There were, I think, certain loan guarantees that were offered by Emcure to the U.S. entity, which is hived off into a separate business now. And those loan guarantees were supposed to be transferred.

Vikas Thapar: So, I answered the litigation part, vis-a-vis the loan guarantees, as that was already removed in Q1. The US entity has taken a new line of loan directly in the U.S., and by doing so, there is no longer the loan guarantee that exists between Emcure and the U.S. entity. So, that has been retired as of Q1.

Gagan Thareja: And I think there is also an outstanding litigation with the HDT in the British Courts. I think in the U.S. settlement went in your favor and there was talk of, you know, you sort of going in for an out of court settlement. Is that issue fully resolved now?

Vikas Thapar: Yes, in fact, I think there was a public announcement around that, that both sides had amicably resolved that issue in totality and in fact, have decided to re-engage in terms of a business cooperation and in doing so both on the U.S. matter as well as the UK arbitration matter, those have been withdrawn and the case is now fully settled on both sides.

Gagan Thareja: And just for my understanding, is FCM, the product that you had post patent expiration, new competition and its impact, is it separate from Orofer or is Orofer also the same product? I am just sort of trying to clarify.

Vikas Thapar: Orofer is the mother brand, and we do have Orofer XT, which is one of our, in fact, our leading brand, which is the Ferrous Ascorbate molecule, whereas FCM, we sell under Orofer FCM for the Ferric Carboxymaltose, but it sort of rolls up under the same Orofer mother brand for anemia.

Gagan Thareja: And what would have been the size of FCM pre-expiration and what has been the status off late in the recent court?

Piyush Nahar: So, Gagan, we are not getting into product wise numbers there, but I think you can get a sense from that if you look at some of the external tracking and also the numbers we have given, but we are not getting into exact brand sizes on the call.

Gagan Thareja: And for the ARV piece, I think last year was a difficult year for all ARV formulators because the prices moved very sharply downward. What has been your experience in the last full year for ARV, and how has it worked out for you in the 1st Quarter, and how do you see it moving forward?

Piyush Nahar: So, yes, Gagan, I think in the last couple of years there has been a lot of pressure on the ARV segment and in fact, from an Emcure perspective, I think how we look at ARV is that it's not something we want to aggressively build up. The focus there is on margins. So, both from a market perspective and also from our internal costing, we have a threshold that we want to get at least on that business and basically our bids are aligned with that.

Having said that, I think this year we are seeing some green shoots out there in terms of both the pricing and also from our internal costing also. So, we are seeing orders which are meeting our margin threshold picking up.

Satish Mehta: During COVID time, Gagan, what happened, there was massive stockpiling which had taken place in all the countries which purchased ARV products. So, once those stocks had been liquidated, now the situation is getting back to normal. So, we do expect that as soon as HIV or ARV business is concerned, that should be better than what we did last year. But having said that, we are very, very, what I would say, selective as far as HIV or ARV business is concerned because of the margins.

Gagan Thareja: And if I look at the results, that most companies have announced in 1Q while sales growth wouldn't have been very, very strong across the board, but gross margins have improved across the board for all companies. I presume part of it is coming from the lower API prices and at least in India, the ex-NLEM portfolio getting a good price increase. In your case, if one were to keep the Sanofi portfolio out, would the gross margins on your India business have improved for 1Q over last year?

Tajuddin Shaikh: Yes. Without the Sanofi portfolio, our margins have improved by about 100 to 150 bps.

Piyush Nahar: At the overall company level.

Tajuddin Shaikh: At the overall company level.

Gagan Thareja: And for your overheads, is the number that we saw in 1Q for employee and overheads something that is sort of stable and sustainable going into the next three quarters?

Tajuddin Shaikh: Yes. The numbers are pretty stable and going into the next quarter, it could be similar numbers.

Moderator: Thank you. Next question is from the line of Alok Dalal from Jefferies India. Please go ahead.

Alok Dalal: First question, sir, is on the differentiated products. So, differentiated products is one of the strengths of the company. Can you tell us what is the contribution of these products to FY '24 revenue and for the 1st Quarter as well?

Piyush Nahar: So, for the FY '24 in terms of the, if I look at the domestic business, about 53% of our revenues came from these differentiated products. In terms of the international market, that would have been roughly about one-third of the business there. 1st Quarter would have been a similar number. And to highlight out in terms of differentiated products, I think one product where at least in the domestic market we are seeing a lot of good traction is Tenectase, which is now included in your essential list from the central government.

Satish Mehta: It has been included in the essential list by the Government of India, Ministry of Health, and apart from that, what is really happening, that many of the state governments are also getting this product as part of the essential drugs. Because it is understood by everyone including the governments, both states as well as central, that as far as the stroke is concerned, it is a much bigger problem than MI.

So, to that extent, all the governments are proactively going in for this particular product. We are also reaching out to them and the good thing that is happening as the country is improving on the health index, many of the primary centers, they also have the CT scan and all these facilities are available.

So, obviously going forward, we see a lot of potential for this particular product. And just to tell you while we are doing survey, I think almost 120 out of 100,000 people are getting stroke in the country and hardly 7% or 8% of the guys are getting treated. So, a lot of work will have to be done, but this particular product has enormous potential going forward.

Alok Dalal: And the second one is on the biologics. Biologics is again a big focus area for the company, and I believe you have new launches lined up. So, which are the geographies which will be meaningful from a biologics contribution perspective apart from India?

Satish Mehta: So, as far as biologics are concerned, what has really happened recently, our plant was audited by the European authorities and we expect, positive outcome going forward. For biologics, we see a lot of potential in MENA countries, especially Saudi Arabia, UAE, Morocco, Algeria, these are the countries where we are getting traction and apart from that Sri Lanka, Sri Lanka is one country where we have got good volumes for Tenectase and the other countries that we have been talking is Southeast Asia, like Thailand, Vietnam, Philippines, Indonesia. These are the countries we are very hopeful as far as the biologics are concerned. And our strategy for biologics is essentially to focus on the emerging markets where we see good growth potential.

Alok Dalal: Satish, lot of companies are trying biologics especially for emerging markets, So, what differentiates Emcure versus the others?

Piyush Nahar: So, there also, if you look at it, for us, I think it's the product that we are working on, right. So, the portfolio for us that we are focusing on, is Tenecteplase, where globally if you look at it, there are not that many players out there. Especially for Tenectase, we hold the global patent for use in stroke.

Similarly, PEG-asparaginase, where again, it's an orphan drug, where globally, there are not many players out there. One of a bit more commoditized, but where we have a lot more cost efficiencies is EPO, So, I think those are the products. We are not going for your regular mabs. I think similar to the chemical entities, here also we are focusing on having a bit more differentiated biologics.

Alok Dalal: And Piyush, I believe you will have the capacity to launch these products in the coming years?

Piyush Nahar: Yes.

Alok Dalal: And last question is on margins. So, Taj, if you exclude FCM and exclude Sanofi, then your EBITDA margins would have improved Y-o-Y?

Tajuddin Shaikh: Yes.

Moderator: Thank you. Next question is from the line of Parag Thakkar from Anvil Wealth. Please go ahead.

Parag Thakkar: First of all, I would like to thank the entire team and wish you all the best for a new journey. And I would like to say that, see, as you very rightly said that you have deliberately put U.S. business outside Emcure listed company to make it a more sustainable and predictable business, which will be fairly valued by the market.

And I am already an investor in the company. And I would love to have, what is your aspiration, as the, I would say, achievable outcome, the 20% growth with around 19%-20% ROCE. I think that is what every investor will aspire for.

So, the most part of it, if I understand correctly, is going to come because of your four new capacities and 1,200 new MRs which you have had in the last 18 months. If I have heard it correctly, the most part of this 20% growth as well as 19% to 20% ROCE, and of course, EBITDA margin of close to 20% is achievable due to that operating leverage, right?

Piyush Nahar: Yes.

Vikas Thapar: So, I think broadly you are correct. I think the current year growth is going to be driven by the additional capacities as well as the addition of the field force that we have had in India. Outside of India though, what is also very important is our recent acquisition in Canada and some of the synergies we will achieve out of that acquisition will drive our growth, for example, in Canada and as well as our robust R&D pipeline. We obviously continue to spend between 4% to 5% on R&D every year and we will continue to focus on a differentiated product portfolio which will continue to drive growth in several of these areas.

And so, I think, and outside of that as we have successfully done in the recent past both in terms of looking for some inorganic drivers - acquisitions as well as strategic partnerships the likes of what we had accomplished with Sanofi for their cardiac portfolio. I think these are the different levers that will drive that growth. And certainly, as the capacities get better utilized and the field force gets more productive, that will automatically lead to more operational leverage, which will help our margin profile improve quarter-on-quarter.

Parag Thakkar: So, basically just one question. When you do a small acquisition or when you do a in-licensing like what we did with Sanofi, I think it will not dilute the ROCE. But if you do a big acquisition, like recently which we have seen in last few months, in domestic pharma industry, I think the acquisitions are too pricey and that will dilute your ROCE and net debt profile.

So, as an investor, I would like to say that for few quarters or years where you prove yourself as a 20% compounder and a predictable compounder with very low net debt number, as you rightly said, now the net debt number is 850 crores and we see the impact of that also, as you said, that from Q3, Q4 the interest cost will come down.

Let us see those numbers and then I think talk about any big acquisition which will dilute ROCE because all those acquisitions, although they might be strategic and they might be helpful in long run, but in medium term, they generally tend to dilute ROCE. And what we as an investor would love to see is a 20% ROCE number with 20% growth and 20% margins. We love this 20 number by the way.

Vikas Thapar: No, certainly appreciate your inputs and guidance and we are very cognizant of that. And so when we are looking at evaluating any opportunity, obviously, that is a critical aspect of the analysis that goes on and we will be very mindful of some of the feedback that we get from our investor community. Thank you.

Parag Thakkar: And please ensure that whatever acquisition you do, at least in second year of operation, it will be EPS accretive because unnecessarily if EPS gets diluted, I think the wealth creation journey which Satish, the CEO, pointed out too gets a little bit of negativity. So, I would say that these are my requests that I am not a pharma analyst, and I am an investor. So, the chronic part of the portfolio, if you can keep growing and outpacing the industry growth, I think that will be highly appreciative, whether it is gynec or whether it is cardio. I know gynec is considered a sub-chronic, but the CNS, these are the segments I think in the opening remark of the CEO we heard. So, I think the chronic part needs to grow substantially and that gives us a good multiple also.

Vikas Thapar: Absolutely. I appreciate the feedback.

Satish Mehta: No, we appreciate it.

Moderator: Thank you. Next question is from the line of Bansi Desai from J. P. Morgan. Please go ahead.

Bansi Desai: My first question is on Canada business. If you can help us understand on a steady-state basis, how should we think about growth in this market, both for Mantra and ex-Mantra? And if I understand correctly, the market growth in Canada probably would be in single digits. So, what is going to be driving growth for us? Is it going to be new product launches? Or if you can comment on pricing, volume, that will be great.

Vikas Thapar: Yes, Bansi, I will take a stab at it and Piyush, you can chime in. So, you know, for us, our aspiration is to continue to grow on a steady-state double digits for the Canadian market for the short to medium-term. While the market, as you rightly said, continues to grow probably mid single digits.

We believe that the Mantra acquisition, which only concluded less than a year back, there is a lot of green shoots from that because obviously Mantra on its own already had an exciting portfolio that they were selling in the Quebec region. Some of that portfolio we are able to take to other parts of Canada through Marcan's existing network.

And similarly, Marcan has a number of products that historically were not present in the Quebec region, which Mantra is able to take and expand in that region. And then, obviously, we continue to evaluate new products that we would like to work on in terms of the R&D pipeline or BD and licensing opportunities for the Canadian market.

Having built up a sizable presence, we are one of the leading generic players now in Canada with a business that is approaching on an annualized basis almost 200 million Canadian dollars. We think that that puts us in a very exciting position to be able to avail of our leadership to continue to grow and grab market share in that segment.

Bansi Desai: And as I understand the profitability here in this market is way superior than other international markets for us. So, should we expect that to continue?

Vikas Thapar: Generally, what we have seen is the competitive intensity in Canada for a number of products tends to be a lot less severe than one would see in other regulated markets, certainly markets like U.S. or even UK, etc. And there is obviously certain pricing regulations in how the Canadian market operates in terms of the number of generic players that are there against the innovator brand, etc.

So, as long as there is no significant disruptions to the pricing regime and the regulations, we believe that it's a good market for the kinds of product portfolio that we have, where it's a good mix of both oral solids as well as some of the complex injectables that we sell, which lends itself to a decent margin profile. So, we believe in the short to medium-term again, we can sustain those margins.

Bansi Desai: And would we still have M&A opportunities in that market?

Vikas Thapar: We will continue to look where it makes sense to do so in that market.

Bansi Desai: And my second question is on India business. And this is just a small clarification. Piyush, on this India number that we have reported, does this include the EM contribution bit or this is excluding that?

Piyush Nahar: This is excluding that.

Bansi Desai: And secondly, you mentioned 5,000 as our field force count. So, does this include managers as well?

Piyush Nahar: Yes.

Bansi Desai: So, excluding that what the number would be?

Piyush Nahar: Excluding that will be closer to about 4,100.

Moderator: Thank you. Next question is from the line of Ajay Sharma from Maybank. Please go ahead.

Ajay Sharma: I was just doing some rough math, basically looking at your organic growth of 7%, right? And considering the Mantra acquisition to be about a 100 crores contribution, seems like the Sanofi part contributed only around 50 crores, which looks way below the 500 crores you were targeting. So, I mean, I was just wondering...

Piyush Nahar: No, the 7% we talked about is also ex-FCM. So, I don't think that 50 is correct. We can take this offline, Ajay, if you want to.

Ajay Sharma: Okay, but definitely it's running below the 500-crore kind of guidance which we had given at the time of the IPO. So, I am just wondering.

Vikas Thapar: Yes, Ajay, I think Piyush answered it. What he was highlighting is that you also need to factor in the FCM impact, the erosion of FCM relative to Q1 of the prior year.

Ajay Sharma: And how much would that be?

Piyush Nahar: So, Ajay, we can take the numbers offline because we don't want to talk about specific product numbers here. But I think Sanofi from our perspective, it's tracking in line with what we were expecting for that business. So, we are not seeing difference versus what we had been expected earlier.

Moderator: Thank you. Next follow-up question is from the line of Gagan Thareja from ASK Investment Managers. Please, go ahead.

Gagan Thareja: Sir, on your capacity utilization, can you give some idea, I mean, overall, where does it stand and for the new plants, where does it stand?

Piyush Nahar: So, on the new plants, if you look at it, three of them have started operations and we started supplying from them. So, if you look at Kadu, which was more focused on global oral solids, there we are now reaching about a 60% utilization. So, that should be breakeven from third quarter.

Mehsana there are two lines there, solids and injectables. The solids, we are now closer to about 40%. Injectables, we have just started filing from there, so that is still small. I think there you will see more product launches towards end of the year or early next year.

Biologics, again, similar to the injectables in Mehsana, we are still in filing stages. So, that will take a bit longer to change capacity utilization. Oncology, we are at 20% and that you should see ramp up coming year.

Vikas Thapar: I think, overall, just to add, we think that there is probably, cumulatively from these four facilities, the way you just described it in more detail, still about a 75-basis point margin drag on account of, obviously, them ramping up. Our older facilities continue to be at a fairly well utilization level. So, overall, as these facilities ramp up by year-end or early next year, we should get the benefit of that 75 basis points or so drag that we are currently seeing on these new facilities.

Gagan Thareja: So, if that works out to plan, you have a 75-basis point margin swing purely from the operating leverage on new facilities, and then to add to that you have the potential for PCPM improvement on your field force. So, I am just wondering, is the potential for margin improvement perhaps possibly 100 basis points or more? I understand, you know, it may, or it may not play out over a certain timeframe, but as a hypothesis, if things work per your anticipation, is that a plausible scenario?

Vikas Thapar: So, I will just take that follow-up. As we guided, we did just about 20% EBITDA margins in Q1. You know, overall we anticipate our EBITDA margin profile to be there about in the range between 20% to 21%, factoring in some of these positive upsides that are there towards year-end.

And certainly, as we exit FY '25 and look beyond, we certainly would aspire to have that margin profile improve going forward. So, you are absolutely right. We think there is about 100 basis point of margin profile improvement possible if we are able to execute to plan by the end of the year. And certainly, that should only get better going forward from the next fiscal.

Gagan Thareja: And I think there is also an outstanding tax dispute of around 250 crores. Have you taken any provisions for that, or do you feel the need to take any provisions for that?

Tajuddin Shaikh: It's under appeal and we have not taken any provisions, and we don't feel the need to take any extra provisions for that.

Gagan Thareja: I think you also in the past indicated that you intend to file Amphotericin, Liposomal Amphotericin. I mean, is that something that you have already done for the emerging markets, and do you intend to see commercial benefits of that or are you in the process of filing that?

Piyush Nahar: Yes. So, if you look at Amphotericin B, we have already got approval in the UK and have launched it there. EU we have already filed. We are expecting approval this year and we are basically actively filing in the various emerging markets. So, those approvals you should start from this year but more meaningfully from next year.

Gagan Thareja: And the growth guidance that you have given in aggregate of 20%, is it possible to perhaps give a little more detailed picture specifically for different geographies? I mean, broad brush numbers would also be of great help.

Piyush Nahar: So, for India, as Satish mentioned, the focus will be to grow 200 basis points higher than the industry on an organic basis. International, I think this year, given the Mantra acquisition, we should see much stronger growth out there. But I think if you look at domestic international, our split should roughly remain at 50%-50%.

Gagan Thareja: And any plans for Semaglutide filing in India? I think the generics come through in March of '26.

Piyush Nahar: Yes, so we are working on it and we will be looking to launch that.

Vikas Thapar: Our R&D team is obviously actively working on it and we are bullish that we should be there along with others on day 1.

Gagan Thareja: Just a clarification. On your standalone reporting, if I calculate the operating margin, it comes fairly low at around 12%. I may have gotten it wrong, but I am just sort of eyeballing it and it would seem to me that the standalone operating margin takes some other income of closer to 12%. Why is that the case if I got the number correct?

Piyush Nahar: Gagan, I think standalone has a lot of things because for our foreign subsidiaries. All the manufacturing is done here, so it depends on when shipments happens. So, I don't think standalone we will look at it. I think consol is a better picture to look at.

Piyush Nahar: I think, Neerav, we can close the session now.

Moderator: Yes, sir. We don't have anyone in the question queue. I would like to hand the conference to Mr. Piyush for closing comments.

Piyush Nahar: Thank you all for joining today's call. If any of your queries still remain unanswered, please feel free to reach out to us. You can email us at investor.relations@emcure.com.

Satish Mehta: And just a concluding remark from my side. We take your feedback very seriously and whatever suggestions that you have given, they will be deliberated and resulting in positive action and response from our end. Thanks. It means a lot to me whatever you guys have come, spared your invaluable time and given those feedback. Please continue doing so. And we are going to be very receptive to whatever you say.

Moderator: Thank you very much. On behalf of Emcure Pharmaceuticals Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.