GOOD PEOPLE
for GOOD HEALTH

February 12, 2024

BSE Ltd.
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001

BSE Scrip Code: 506943 **Stock Symbol: JBCHEPHARM**

Dear Sir,

Subject: Transcript of Investors/Analysts call

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

Pursuant to Regulation 30 read with Schedule III and Regulation 46(2)(oa) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed please find Transcript of Conference Call which was scheduled for Investors and Analysts on February 7, 2024 at 3.00 p.m. IST in relation to results and developments for the third quarter ended on December 31, 2023. The same will also be available on the website of the Company www.jbpharma.com.

We request you to take this on record.

Thanking you,

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

Sandeep Anil Phadnis

Digitally signed by Sandeep Anil Phadnis
DN: c=IN, o=Personal, title=8434, pseudonym=108F69E4E868E4C1147674C13B2684AC9CDD8E36, 2.5.4.20=715f7603f235e5d1d74002aec03d24cf432efd8296e6e1c3c0c80534a90c098e, postalCode=411038, st=Maharashtra, serialNumber=CC500FDD638E71336FC58B204E2BA05EA7C4ADE49B8FE438E8F254C300DEC735, cn=Sandeep Anil Phadnis
Date: 2024.02.12 12:10:25 +05'30'

Sandeep Phadnis
Vice President – Secretarial
& Company Secretary

J B Chemicals and Pharmaceuticals Limited
Q3 FY'24 Earnings Conference Call
February 07, 2024

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

---

Moderator: Ladies and gentlemen, good day, and welcome to J.B. Pharma's Q3 FY'24 Earnings Conference Call as on the 7th of February 2024. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jason D'Souza, Executive Vice President, J.B. Pharma. Thank you, and over to you, sir.

Jason D'Souza: Thank you, Ryan. Welcome to the earnings call of J.B. Pharma. We have with us today, Nikhil Chopra, CEO and Whole Time Director, Kunal Khanna, President Operations at J.B. Chemicals and Pharmaceuticals Limited.

Before we begin, I would like to state that some of the statements in today's discussion may be forward-looking in nature and may involve certain risks and uncertainties. A detailed statement in this regard is available in the Q3 FY'24 results presentation that has been sent to you earlier.

I would like to hand over the floor to Mr. Nikhil Chopra to begin the proceedings of the call and for his opening comments. Over to you.

Nikhil Chopra: Thank you, Jason, and good afternoon, everyone, and thank you for joining us today on J.B. Pharma's earnings discussion for Q3 and 9 months FY'24. During today's interaction, I shall cover progress made by the business during the quarter, the imperatives that lie ahead and underlying the strategy for the growth. I will commence with Q3 results, where, yet again, our domestic business has stood ahead of the market in terms of performance. Let me bring up highlights of Q3 FY'24 results.

We reported revenues of INR845 crore, up 7% year-on-year. The overall revenue growth was impacted by strategic choices made in international business, especially South Africa. Excluding South Africa business, our revenue grew by 10% in Q3 FY'24 and 14% in 9 months FY'24. However, while the strategic decision impacted our top line, it boosted operating margins for overall business.

Further, given our cost optimization efforts and favourable product mix, we also saw a marked improvement in gross margins by 530 bps in Q3 FY'24 versus Q3 FY'23. We reported considerable gains in operating EBITDA margins, which stood at 27.8% in Q3 FY'24.

Turning the attention towards domestic business, we saw a handsome growth of 14% to INR462 crore in Q3 FY'24, which was on the back of continued traction in the chronic segment and recovery in acute business. J.B. Pharma stood as the fastest-growing company within top 25 in IPM as per IQVIA MAT December 2023 that are growing at 16% versus 10% IPM growth. With focus on chronic therapies and life cycle management, we have further enhanced our market rankings for our all key brands, which has been shared in the investor presentation deck.

The acquired portfolio is also showing a traction, and we are already looking at Sporlac as 1 of the big brand to be in INR100 crore brand club. It too has jumped 30 ranks year-on-year, standing to date 331 the rank as per IQVIA MAT December 2023 data. If one looks at Sporlac franchise units in totality, this is now INR121 crore portfolio as reported in IQVIA MAT December 2023 data. In keeping with our strategy of having leading brands within our offering, we entered the ophthalmology segment via our agreements with Novartis. We will now rank among the top 4 players in the covered market in ophthalmology segment.

We have a strong portfolio of leadership brands in this segment, with 5 of the brands being at #1 position and another 4 in top 3 in their respective molecule market segments. We remain excited about this portfolio because ophthalmology segment is expected to outpace IPM growth consistently. The deal is in line with our thesis of entering into high-growth progressive portfolio segments with high market share in the IPM.

Over there, I would like to emphasize that in the past 3 years, we have managed to transition the India domestic business from operating in stable, less growth segments to now operating majorly in progressive segments. If you notice, our CVM is growing at 12%, that is covered market for J.B. growing at 12% and J.B. domestic business within that CVM is growing at 16%. The covered market growing at 12% is 200 bps higher than IPM, indicating the progressive nature of India business.

This will ensure sustainability of India business growth for a longer period of time. The addition of ophthal portfolio will only increase our CVM growth opportunity, all this points to a progressive portfolio for India market, which I emphasized upon joining the organization 3 years ago.

Moving on to the international business. We reported a revenue of INR383 crore in quarter 3 FY'24. This includes South Africa, which, when we exclude the business, has reported a modest growth in moreover. CDMO, moreover has seen a minor dip during the period, going to base effect of quarter 3 last year, historically being a slow season for the business.

However, I'm happy to share that the order book for the forthcoming quarters for CDMO looks very healthy. The export branded business -- export branded generic business is doing very well and remain optimistic about that part of the business in international markets.

I will share key pointers for our 9-month performance now. The 9-month FY'24 revenues rose by 10% to INR2,622 crore. This comprised domestic revenue of INR1,432 crore, up 14% given impactful execution of our strategies. The international business saw formulation growth of 6% to INR802 crore during 9 months of FY'24 on the backing of strong exports in RoW market.

Strategic decisions regarding South Africa business continued to impact the international revenues, excluding which the growth was in double digits. Our operating EBITDA, excluding ESOP charge in 9-month period came in at INR729 crore, while the margin stood for -- at 27.8% for the 9 months FY'24.

Going forward, execution is going to be the key in such a volatile environment, and we are in a position to respond with agility in terms of portfolio and business mix decisions. J.B. Pharma will continue to pursue growth in domestic market, led by chronic strategy. You have seen the momentum of our brands, brand-focused approach, both on organic and acquired portfolio basis. Along with the domestic business, our CDMO business will also remain the area of focus, as mentioned earlier.

Looking forward, we would like to continue focusing on strengthening our brands in domestic market and making them bigger while focusing on the recently acquired portfolio. Internationally, we are ramping up our CDMO business. We have seen a good traction of our innovative offerings and also have identified opportunities in our RoW markets. We run a healthy balance sheet and our cash flow position continues to be strong.

With this, I would also like to inform that we have appointed our new CFO, Mr. Narayan Saraf, effective from Feb 23, 2024. Mr. Saraf is a qualified chartered accountant and cost accountant and has 2 decades of work experience in the field of finance and accounts working with companies like ONGC, Indus, Unilever, Cipla and Thermo Fisher India Private Limited.

With this, I will conclude my opening remarks and wish to open the quorum for questions and answers. Thank you all for patiently hearing.

Moderator: The first question is from the line of Rashmi Shetty from Dolat Capital. Please go ahead.

Rashmi Shetty: Congratulations on good set of number. Sir, on your ophthal portfolio, if you can give more colour on it that since it is an in-license drug, what impact it will have on the GC, that is gross margin on an annual basis from the current levels? And also, your other expenses or employee cost is expected to go up because of this portfolio in terms of promotion, marketing, and you have also hired 75 to 80 MRs.

So, if you can give more picture on how the EBITDA margin could look like FY'25, '26? And also, this will be reflecting in quarter 4, so your EBITDA margin, excluding the ESOP of 25% to 27% impact in FY'24?

Nikhil Chopra: So, in case of ophthalmology portfolio, and this is for the group, we would like to reserve our comments. But what I can speak right now, it's a starting point. We would like to get our hands get to understand the business better in first 100 days, that is quarter 4, starting quarter 4, and it has been 15, 20 days of operation. It's a -- as reported in IMS, it's INR200 crore business. And the portfolio that we are present is in more interval of glaucoma, NSAIDs, anti-allergic, that is where we stand.

Overall, from a guidance perspective, including our ophthalmology portfolio, which we have bought in, our guidance continue to remain 25% to 27% for the coming year also. More colour on ophthalmology once we get to know the market better, we will be able to talk about it post our quarter 4 results.

Rashmi Shetty: Sir, in this 25% to 27%, you're talking about the operating margin, right, excluding the ESOP?

Nikhil Chopra: Yes, is. Right now, what I spoke about 25%, 28%, the guidance remains same.

Rashmi Shetty: Okay. And related to your international formulation business in South Africa, this rationalization activity will take how long? Whether it will be continued in FY'25 also? If you can give that picture. Also, currently, in South Africa business, what is the mix now after rationalization of the ratio between your private as well as the tender business? Because earlier, it was around 50:50?

Nikhil Chopra: So earlier, it was 40:60, 40 was private and 60 was public. This rationalization will continue till end of quarter 1. Next couple of quarters, you should see that impact. And I'm happy to share that this $30 million business that we are doing in South Africa this year, the contribution has reversed. Now, the Private is contributing around 60% and public is contributing around 40%.

That is where we stand, and we have -- we are looking at more and more opportunities, how do we improve our share in private market, how do we get into some consumer business? We have launched some of our own lozenges in South Africa market. So once all those things start to -- start contributing, we will be sharing more colour on that.

Rashmi Shetty: Okay, sir. And excluding South Africa in the international formulation business is -- you're getting any prospects from the U.S. because their price erosion seems to be softening and overall improvement in the market dynamics. So, is the U.S. business becoming sizable or it is the same?

Nikhil Chopra: Our U.S. business is around $30 million. And earlier also, what we have mentioned in our earlier commentaries, we conceptually, the model is a cost-plus model where we have -- we, as a company-owned 15 ANDAs and we have been filing 4-5 ANDAs to find us every year.

Eventually, in a couple of years, two, three years, we should see this business from $30 million going to $50 million. No plans in terms of getting directly representation in U.S. business. And this is where we stand. Our aspirations are not that big for the U.S. business.

Rashmi Shetty: Got it, sir. And one last question. You have given a CVM growth of 12% in the domestic business. Can you give the CVM market share also?

Nikhil Chopra: Market share, I can come back to you, but it's a good opportunity size CVM presence that we have got. But offline, we will be more than happy to share it with you in the current time.

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

Tausif Shaikh: Congrats on a good set of numbers. My first question is on the ophthalmic segment. Say, existing brands does not have any product for dry eye segment and which I believe is one of the largest segments in the total eye care market if I see. And in the previous comment, you have said, the existing agreement does not stop you for launching any new products. So, any comments on those. Do you have any near-term plans to launch dry eye products?

Nikhil Chopra: Which products? Dry eye.

Tausif Shaikh: Dry eye, yes, and dry eye category.

Nikhil Chopra: So earlier, I think what I shared is I think you should -- you will have to excuse us for comments coming into the ophthalmology opportunity, what I said earlier. Let us get to understand we are using this time period to understand the market better and post our quarter 4 results, probably in our quarter 4 commentary results, we will be happy to share more details in the coming time.

Tausif Shaikh: Okay. And second question on our M&A strategy now with Novartis segment in 2027, I think it's 2 years from now. What is the M&A strategy for FY'25? Are you still looking for assets to be acquired?

Nikhil Chopra: Yes, yes. We are looking at opportunities and tomorrow, we have a team, M&A team who continue to evaluate assets and then there's an opportunity, we 100% are looking at it. And as and when everything comes substantial comes, we will be more than happy to share with.

Moderator: The next question is from the line of Alka Katiyar from Baroda BNP Paribas. Please go ahead.

Alka Katiyar: Sir, if you can comment on your order book visibility for CMO?

Nikhil Chopra: So, our CMO business average is around INR100 crore a quarter. And I think there was a minor dip in quarter 3. That is -- that happens every year. So, it is not a worry. Probably, I think quarter 4, we should be close to INR100 crore. And the way we have planned our business getting into new geographies, which is part of our Mexico, Brazil, some parts of Europe, getting into new therapeutic segments, more partners, this business -- the guidance that we have given for this business in the coming time, which is around close to $50 million, 3 to 5 years, you should see this business going to $100 million.

Alka Katiyar: Fair enough. And just if you can -- like we have seen a Q-o-Q gross margin expansion about 140 bps. So, what were the major key drivers?

Kunal Khanna: So, as we had mentioned during the last call, some softening of rates, which have happened around Q1, the actual benefit of that we would be realizing later in Q2 and majorly in Q3. So that's the key driver for improvement in gross margin profile.

Moderator: The next question is from the line of Dheeresh Pathak, WhiteOak. Please go ahead.

Dheeresh Pathak: Sir, what was the organic growth this quarter in domestic business?

Kunal Khanna: Pretty much what we see. Everything is organic and inorganic on mine because all our acquisitions are in the base right now.

Dheeresh Pathak: But maybe I have a wrong understanding this Denmark Basel portfolio, this was not in the base, side.

Kunal Khanna: So that's not making much of a difference to our overall growth numbers.

Dheeresh Pathak: There will be INR15 crore, right? It's at 4 percentage points to the growth.

Jason D'Souza: No, no. But then there is an impact of our model. So, I think that's what I was trying to mention.

Dheeresh Pathak: I did not understand, Jason, what did you say?

Nikhil Chopra: Net-net, what we are trying to share with you that everything that we are counting is a part of now organic growth. So that is what you should take as a commentary.

Dheeresh Pathak: No, sir, this is not very clear because if you can just explain whether it was part of the base and not part of the base?

Kunal Khanna: So, part of the...

Dheeresh Pathak: Part of the base, not part of the base ex of reason, what is the growth?

Kunal Khanna: Part of recent billing was already included because it was acquired in the month of December. There was some billing, which was included, right? What you have to neutralize is overall impact of close to INR6.5 crore to INR7 crore.

Dheeresh Pathak: INR7 crore. Okay. So almost close to 2 percentage points goes away. So that 12% would be the growth, right?

Kunal Khanna: And just on that, the point which was added was there was value erosion of Azmarda also. So net impact pretty much remains that the overall thing, which we were coming to.

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

Rahul Jeewani: Sir, on the CDMO business, we were doing an expansion of the packaging line, and we had acquired a land parcel as well last quarter. So, can you comment in terms of this capacity expansion progress on the CDMO business? And have we able -- and any traction in terms of adding either new clients or new products to this business?

Kunal Khanna: So, on the capacity expansion part, we currently have manufacturing and packaging capacity for 18 crore lozenges, which by end of Q2 was back at 13 crore to 14 crore lozenges. So that capacity expansion has already happened. And as mentioned in the last call, we would be ready with the actual throughput capacity of 18 crore by end of December, that's been executed as per the plan.

On the customer addition part, there was 1 anchor client, which was added last year, and there have been a couple of more added this year. But beyond that, we would not be able to comment anything at this stage.

Rahul Jeewani: Sure, sir. And on the margin guidance, which we have been giving of 25% to 27%, now if we look at our operating margins on a 9-month basis, this year have been around 28%. And with the growth which we are talking about in the domestic business and the CDMO business and the fact that incremental growth in India for us is being driven by chronic. Don't you think that FY'25 margins will potentially be higher than the range, which we are talking about, given that this year itself, we are closer to a 28% kind of a margin?

Nikhil Chopra: So, Rahul, this is Nikhil. If you look at overall the business dynamics, overall, what you -- everybody knows in terms of what is happening in the world of Red Sea, the freight costs have started escalating. There are some of the major API costs, which are also being on the higher side. And the way we are looking at business, fortunately, that we have been on the higher side of the guidance, but I think the guidance which we are comfortable is ranging between 25% to 27%, which conceptually, the teams at J.B. are confident to deliver.

Rahul Jeewani: Sure, sir. And apart from, let's say, any external shocks, be it in terms of increasing freight costs, do you think that we will continue to see a steady margin improvement going forward? Or are we more focused in terms of ploughing back some of this profitability to drive higher growth in the domestic business?

Kunal Khanna: Sorry, Rahul. Could you repeat the last second part of your question?

Rahul Jeewani: Whether this incremental profitability, you want to invest back into the domestic business either in terms of let expansion to drive higher growth.

Kunal Khanna: So, I think if there is no uncertainty and volatility, we should be maintaining the margins, which we currently have, right? Because we do not necessarily have to invest significantly in part of our existing domestic business. We should remain closer to the margin profile, which we have.

Rahul Jeewani: Sure, sir. And lastly, on the export business, now this year, obviously, has been a bit muted because of rationalization of the South Africa business. Do you see any other parts in your export business, which you can further rationalize in terms of any thoughts on rationalizing the Russia business given that is also a low-margin business for us?

Nikhil Chopra: For Russia business, there's not low margin business for us, it is a high gross margin, and we are into branded market formulation marketing. And there is no -- there is nothing as there tomorrow we will e rationalizing. And this also -- South Africa, the rationalizing only has happened in the world of public market. So, there is no point of rationalizing any other part of the business.

Rahul Jeewani: Okay. Sure, sir. So, you are saying that even I was asking about our own Russia business, it's of the CMO supplies, which we...

Nikhil Chopra: Our own business, yes.

Kunal Khanna: So now is the profitability because of the gross margin profile works in our favour. Whatever cost optimization initiatives need to be taken; we are looking at that. But as Nikhil mentioned, further opportunity for portfolio rationalization to improve the product margin mix, not specifically for Russia.

Moderator: The next question is from the line of Neha Manpuria from Bank of America. Please go ahead.

Neha Manpuria: Just a question on Azmarda, given in the last year, it seems like Azmarda is not performing as well as we would have expected. Is that the case? How is it panning versus your initial expectations of the product post the competition that has come in? And do you -- what do we need to improve the performance of Azmarda from here?

Kunal Khanna: So, there are 2 parts of the Azmarda, one is how the market is growing. And the second is how we have been able to kind of protect our market share in this growing opportunity. First of all, it's a growing and progressive market. Yes, after our initial estimates, we would have -- we thought that the market will grow by 2.5x. It's not grown by 2.5x, It's grown by 2x still, and it will continue to grow because it's a progressive category, right? We would not kind of state that we have underperformed in this market.

Yes, we have some higher expectations in terms of volumes increase and the price is -- the competition is much more intensified because of some of the generic entry, but that is not cause of panic because we continue to protect our market share. We continue to drive the therapy with the cardiologist. The strategy execution is pretty much as per plan.

Whether on month-on-month sequential basis, we should have been probably 8% to 10% higher based on our initial estimate. Yes, we could have been higher, but we are on the right part. So, we do not see really any reason to kind of be worried about how the brand is positioned.

Neha Manpuria: And what do you think takes the -- our growth higher? It is just the category growth that alone is enough to improve the growth? Or are we trying to do anything else differently...

Kunal Khanna: Category growth alone on a stand-alone basis will kind of ensure that we are doing in this market as well. So, it's quite progressive and Azmarda is 1 of the top 3 brands. So, the category growth alone will ensure that we are progressing. Whether we want to -- yes, we want to do more to increase our market share. Those efforts will always be undertaken by us.

Neha Manpuria: Understood. And my second question, I know you did mention that you continue to expect that U.S. over time will ramp up, but your model there is not changing. But in terms of our filing strategy, is that changing versus what we have mentioned previously? Or it's the same couple of findings that we have...

Kunal Khanna: No change in our filing strategy. It's basically 3 to 4 filings per year. That is a run rate which we will maintain. And it will not be any specialty or complex products. We pretty much work with our oral solid dosage forms in the U.S. market, with the key differentiator being our cosmetic release platform.

Neha Manpuria: Understood. Sorry, one other question, a follow-up, if I may. Within the domestic market, is there any therapy area we would like to launch more product in terms of white spaces in the focus areas that we're looking at from a covered market perspective, case in point in, being, let's say, SP or pediatric, would you -- I mean, are those areas where you want to do more, launch more products, expand your shares?

Nikhil Chopra: So, we continue to launch 4 to 5 products every year. We will be more than happy to launch products in the world of GI, pediatrics, respiratory cardiology. So that you will continue to see our new product contribution continues to be around 3% to 4% every year. And I think we have got enough now portfolio in hand in terms of how do you leverage that and make the best use of what you have got in hand.

Neha Manpuria: Understood. So, we do not necessarily need to expand the portfolio to grow this segment?

Nikhil Chopra: So, we continue to -- what I said earlier, we will continue to do life cycle management in terms of we are -- you should see us launching in next quarter, we got the merger of Sporlac. We should continue to see versions of -- better versions of products in the GI portfolio. We definitely -- we should see one of the product launch. So, you should see 4 to 6 launches every year from our end.

Moderator: The next question is from the line of Utsav Jaipuria from DAM Capital. Please go ahead.

Utsav Jaipuria: My question is on gross margins over the last 3, 4 quarters, there has been a very strong scale-up in the gross margin number. How much further headroom do you think you have on this account? Do you think we can get to like a 70%, 71% number?

Kunal Khanna: Right now, this is the base which we want to work with. There are 2 key value levers for us, which has helped us scale up our gross margin profile over the last 6 to 8 months. One is the overall increasing mix of chronic within the domestic business and the fact that our products, Razel and all significantly started contributing to our overall portfolio mix. That is one reason, and there were a lot of cost improvement initiatives which are underway.

So, we are seeing the benefits of that. This is the base we should be working with. There are always efforts to improve whatever we can, and those efforts will always be pursued.

Moderator: The next question is from the line of Sayantan Maji from UBS. Please go ahead.

Sayantan Maji: So just continuing on the previous question. So, within chronic, what products or what product families would have significantly driven the improvement in gross margin? Because...

Kunal Khanna: For us -- yes, for us. Essentially, the Cilacar franchise, the Razel franchise, the Nicardia franchise. And also, we saw improvement in gross margins from Azmarda.

Sayantan Maji: Okay. Got it. And in Brazil, is that current candidate, say, meaningfully higher than the pre-acquisition run rate of INR50 crore? So, can you give some idea as to how that portfolio is doing for us?

Kunal Khanna: We will not want to specifically comment on the internal numbers, but the market reflection is good enough for you to understand how the run rate has improved pre-acquisition and post-acquisition. We are certainly seeing a significant, significant improvement in the uptake of this brand.

Sayantan Maji: Okay. Got it. And also, there was a comment that other expenses were higher by 8% year-on-year because of some increase in freight costs. So -- but if I look at it on a sequential basis or even if I look at versus 1Q, it has pretty much remained the same. So, is it that the impact of higher freight cost has still not come in? And do you anticipate some impact going ahead?

Kunal Khanna: Sorry. Could you just completely repeat the question, the trade cost was in future anticipation...

Sayantan Maji: Yes. So other expenses, if I see versus 1Q or 2Q, it has pretty much -- I mean it has been flattish while there is a year-on-year increase, but sequentially, it has been pretty much flattish. So, do you expect these freight costs took impact in the future quarter?

Kunal Khanna: There will be some very -- some level of impact, which will continue in Q4 based on what we have seen in November, December.

Sayantan Maji: Okay. Got it. And my final question is on CDMO. So, in CDMO, I remember there was a guidance that you expect this business to contribute to 15% to 20% of the total business in the near term and $100 million from the current run rate of $50 million. So, is it really coming from the contribution from the new launches you were working on some new disease areas? So, is it mainly coming from there? Or will it come from entering new geographies or adding new clients? So, what will be the single most important driver of growth of this business in the next 1 or 2 years?

Nikhil Chopra: There are 3 levers, which I earlier explained. One is newer geographies, which we are trying to get into and those geographies are a mix of Europe South Africa, Mexico, Brazil. New partners, which I cannot share right now. And third is new therapeutic segments. And probably second half of FY'24, '25, you should start seeing some of the new launches seeing the daylight, which may be a combination of lozenges, in the area of pain, in the area of sleep disorders, oral thrush, immunity wellness, those are the things that are in there. So, it's a combination of new partners, new geographies and new therapeutic areas. And our guidance remains same, $50 million to $100 million in three to five years.

Moderator: The next question is from Neelam Punjabi from Perpetuity. Please go ahead.

Neelam Punjabi: Congratulation on some good set of numbers. My first question is on the domestic business. So, excluding the acquired ophthalmic portfolio, what's the growth rate that we are targeting for this business in the next fiscal year?

Nikhil Chopra: The growth to India pharma market should grow at around 10%, that is what the way I see Indian pharma market growing. We should be growing at around 200 to 300 bps better than the market.

Neelam Punjabi: Got it. Okay. And was the growth rate that we're targeting for our international formulation business next fiscal?

Nikhil Chopra: Close to 10%.

Neelam Punjabi: Okay. And my final question is on the ESOP expenses. So, this has gone up sequentially as compared to last quarter. So, what's the reason behind it?

Kunal Khanna: There are some allocations based on the fair value, which has been kind of adjusted. And that's why you see, on a sequential basis, some level of increase. But from a going forward perspective, what you see as the quarterly ESOP charge, that's how it will remain, right? So, you do not -- you should not expect any further increase.

Neelam Punjabi: Got it. Sir, for the next fiscal year, what would be the ESOP expense if you can help me understand that?

Kunal Khanna: It should be close to 45 to 48.

Nikhil Chopra: Full year.

Moderator: The next question is from Rahul Jeewani from IIFL Securities. Please go ahead.

Rahul Jeewani: Can you please comment in terms of what is our existing cash balance right now?

Kunal Khanna: So, we are basically, from a cash balance perspective, close to INR136 crore net positive. Our operating cash flows are closer to INR614 crore, so which is almost 84% of the YTD operating EBITDA as reported.

Rahul Jeewani: Sure. This is for 9 months?

Nikhil Chopra: Yes.

Kunal Khanna: Yes.

Rahul Jeewani: Sure, sir. And sir, just on this comment which you made about the growth expectation for your India business. Now, obviously, your covered market is growing at a 12% kind of a rate, then ideally on an organic basis, our India business growth should be closer to 14%, 15% instead of, let's say, when you commented, you commented versus IPM.

Nikhil Chopra: So, Rahul, we have been always in line with IPM, the way IPM deals and you have seen over the last so many quarters that we have beaten the IPM performance, so what guidance I have been telling, if market is growing at around 8%, 10%, we should be 200 to 300 bps better than the market.

Rahul Jeewani: No, no, sir, I'm asking that you also referred to the fact that the covered market in which you are present, is growing at a faster rate. And within that, you are even beating the covered market growth. Then the growth expectation, which you have for the domestic business next year, should ideally be some sort of outperformance versus the covered market growth instead of the IPM growth. So, am I missing something there?

Kunal Khanna: Rahul, just to simplify things, right? Out here, what Nikhil mentioned was total IPM growth, right? It's going to be 10%. Now at this stage, we are not kind of clearly pinpointing what's the covered market growth. We have always maintained that we will be 200 to 300 bps higher than the overall IPM growth. In our case, we pretty much drive the cover market growth because the molecules, where we are present, we have a dominant position.

So, you have to think that way that if the covered market is also growing higher, it's basically because we have dominant 50%, 60% market share in the categories which we play, and that is what we are driving, right? We will also be, of course, more than the covered market growth. So that's the way we look at it. The only other clarification which we can give at this stage is 200, 300 bps higher. And actually, the reported growth will be also higher because you add to the ophthal portfolio.

Moderator: The next question is from Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: On your comments regarding the gross margin sort of basing out around this current level of 68%, sir, when you look through the next 2, 3 years, what would be the drivers for our incremental operating level -- for incremental EBITDA margin improvement from here on? Or do we see EBITDA margin sort of stabilizing around the 25%, 27% mark from here on?

Nikhil Chopra: So, Nitin, as of now, the guidance that we are giving is 25% to 27%. Overall, over a period of time as our contribution from chronic therapy improves and CDMO improves, as and when that has a substantial effect, we will revise our guidance at that time.

Nitin Agarwal: Okay. And sir, on the export part of it, I mean, on a, say, next 3 to 5 years period, do you see the exports going faster than the domestic business for you?

Nikhil Chopra: We did see earlier, Nitin, if you look at our investor deck, the ambition is India, which is contributing to the 53% to overall revenue should contribute 60%, and CDMO, which is contributing 12% should contribute 20%. So, between India and CDMO, the contribution should be close to 80%. There is a guidance that we have kept for ourselves. And that is what we have been commenting for last now 3, 4 quarters.

Nitin Agarwal: Right. Sir, I mean, it's just sort of pushing the point. If you take India growth as a 12%, 13% base, and it's going to be growing faster than -- and you expect it to grow faster than the overall business for you?

Nikhil Chopra: Yes.

Moderator: Thank you. Ladies and gentlemen, to ask a question please press star and one on your touchstone telephone.

Jason D'Souza: We have a question on the chat. Basically, the question is on how does the Sanzyme franchise been performing and in particular, our Sporlac been doing?

Kunal Khanna: We have certainly delivered very strong performance on Sporlac over the last four to five quarters, and we maintain that we are going to continue looking at market leading growth in the overall probiotic franchise. As Nikhil mentioned earlier also, some of our new launches under the same brand umbrella are also doing well.

So, we have some new strains, which have been launched specifically focusing towards pedia. There will be one more SKU launch towards pedia division, and that will certainly help boost the overall franchise further.

Jason D'Souza: Yes. That's it from the chat box.

Moderator: Thank you very much. That was the last question. I would now like to hand the conference back to the management team for closing comments.

Nikhil Chopra: So let me thank all the participants for joining the conference today. I think 9 months for the year, overall, it has been a fair performance, what we have delivered, with close to 10% growth and around 20% plus EBITDA growth. And that will be the guidance for the current year. And for the coming year, the business should grow at around 12% to 14% top line, EBITDA should grow at 16% to 18%, and then the hypothesis is that J.B. remains and how do we invest to grow.

And the journey continues to be only upwards and onwards. That is what we can comment with what we can do with our existing portfolio, making big brands bigger, making our new launches successful and do justice to the acquired portfolio. Thank you all for patience hearing. We will stay in touch with you. Thank you.

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