



J.B. Chemicals & Pharmaceuticals Limited
Investor/Analyst Meet – 2022 (Q4 FY22)

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Jason D'Souza:

I would first like to introduce our CEO, Mr. Nikhil Chopra, then our CFO, Mr. Lakshay Kataria, Mr. Kunal Khanna, our President Operations, and today we also have the presence, which you would have not heard in analyst call, we have Mr. Dilip Singh who is the President of India Business for us, so with this I would like to start the proceedings right away and I would like to invite Nikhil Chopra our CEO to come forward and make the presentation today. Over to you, Sir!

Nikhil Chopra:

Thank you, Jason and a warm welcome to all of you. We appreciate your time and thank you for coming today afternoon and we are also feeling privileged to host the first physical investor meeting.

The agenda has two parts in terms of us we will be talking about overall the milestones that we have kept for ourselves then we had our last strategy presentation to many of you, 15 months ago, what is the journey that have traveled in last 15 months and we will be talking about our annual performance, quarter four performance and then we have some surprise element to talk to you in terms of what are we trying to do in terms of creating our new identity, so let me get into the presentation path in terms of what we are trying to share with all of you, so I feel privileged when I see this slide.

As a company 45-year-old company, four decades of rich legacy that we at J.B. enjoy, in 1976 late Mr. J. B. Mody founded this company known as J.B. Chemical and Pharmaceutical Limited and within a span of 10 years, we could the launch the iconic brands, which many of you know and we have been talking regularly about Nicardia, Rantac, Metrogyl and all these brands are household names, which many of us sitting here, our families have been assured of the good quality medicine that we manufacture from the house of J.B. and equally talking about in terms of where these medicines are manufactured, we have got a state of our manufacturing plant, which is in southern part of Gujarat at Panoli and Daman, which we consider as our pride in terms of all the necessary approvals, compliance in place and we can vouch for the work that our 2000 people in our manufacturing plants do every day in and out.

For the first time when I joined J.B. in October 2020, I visited the plant and I was been told that though we were being affected by COVID for last two years since March 2, 2020, never a single day that our plants have been closed, so we as a responsible company are committed to patients in India globally and also committed to the partners that we have been working over last three to four decades, which at some time I will talk in my presentation then comes from a historic moment of time, the launch of the Cilacar iconic brand once again in the world of hypertension, which today is a 300 Crores franchise basically if I have to call it as bread and butter for us in terms of the work that we intend to do in the world or hypertension, we intent to influence the ecosystem of hypertension that is what we have achieved as a company over a period of time.



Talking outside India, we have to two home markets that is a combination of biotech the way we are known in South Africa close to 300 Crores business, 50 employees mix of public and private business that we do and equally we are present in Russia by the name OOOUPL where we have got once again our presence in Russia and CIS countries though the environment is not that friendly to operate, but we will continue to supply medicines, continue to serve the patients in that part of the world also and then in 2020 when the dialogues were happening with KKR and KKR took the 54% stake at J.B. then I was roped in. I had the privilege to join his company. I have spent two decades plus time in Indian Healthcare Industry and trying to use all my experience and whatever I have learnt over a period of time to do the right things in this company and it has been a dream run if I have to share with you in terms of what we have achieved, which we will talk in the coming part in the presentation.

October 2020 when I joined in we were 32nd rank company in India and it is a pride moment for me to share with all the good work that our teams sitting here and on the ground at our manufacturing plants, today we are 23rd rank company in Indian pharmaceutical market and this have never happened in the history of Indian pharma market and if it has to happen I think J.B. will be the only company to climb more ranks that is where we stand. Also besides the big brands that we have got the entire opportunity to get into newer categories of business look at things more progressively, look at how conceptuality we can make a company, which is future ready resilient to difficult times that all of us have seen in COVID times, so that is the intention going ahead and at the end of the day patient first looking at how we can serve more and more number of patients not only in India, but globally.

Let me come to in terms of where I think many of you would be interested in terms of where we stand, how we have performed, committed to what we share with you in terms of quarter-to-quarter where we have been interacting with many of you, good quarter for us, 600 Crores plus revenue, 625 Crores that is what we could achieve growing at a phase of 18%. Many of the companies as all of you know are struggling for growth and not only growth we fundamentally believe in profitable growth, so good growth in EBITDA, which at some given time our CFO will come and talk more about financials, but the new peak that we have achieved in terms of revenue we were to cross a milestone of 2400 Crores, 400 Crores addition in topline that we have made and growing at around 19%. Our contribution of business is equally divided if I have to talk about 50% from India, 50% coming from international markets, but the backbone of this growth is the performance that we have delivered what I spoke earlier of the ranks that we have gained in Indian pharma market a robust growth of 30%, which is unheard in terms of what we could deliver and backed up by the entire concept of that we have been working in the company which I have been speaking earlier of big brands getting bigger.



With the new go-to market strategy that we have put in place 15 months ago, which we have been speaking the entire transformation that we have done in India business, we could create space for new launches. Our new product contribution was hardly 1.5%. Last year our new product contribution is 4% and fundamentally I believe if 2500 people working on the ground, motivated, charged, better trained if they are able to generate prescriptions for new products, make big brands bigger I think that is what any company would dream of that is where we stand. Equally from an international point of view where our guidance has had been that by the end of the year we should be close to low double-digit growth that is where we are. Last quarter we had a good performance and we could see a big demand coming particularly in the world of contract manufacturing business very closely, but some of the big players that we talk in detail.

Overall if I have to talk about from both parts of the businesses that we stand today, India business continues to deliver market beating performance and equally international business has bounced back with low double-growth and that is what we intend to do in the coming time also. This is what I have spoken in terms of the ranks that we have gained, the five brands, which have been the backbone of what we have delivered as growth, they continue to gain ranks, they continue to deliver market beating performance, they continue to beat the market in a significant proportion and equally new launches, the entire go-to market strategy that were put in place we had optimized our resources. We had overlap of prescribers, so we looked at it in terms of how we can at least optimize our resources on the ground, launch and get into new progressive category of business and that is what we have done, we have ventured into the business of pediatrics, respiratory, we have launched a new division, we have launched products in the world of metabolic, we have launched product in the world of diuretics and in the next 18 to 24 months the products which we have launched not all 15, but at least half-a-dozen products, I expect that we should generate a revenue of 12 Crores to 14 Crores for each product, which conceptually should would give us a revenue of 100 Crores, which would be a next big milestone for us.

Also parallelly what we have done and this probably is a new learning for us, which always I wanted to do is to get into the world of acquisition and we could get a good asset in the form of Sanzyme and just to talk about Sanzyme is entity, we could buyout these assets at a cost of 650 Crores, 150 Crores revenue more in the world of probiotics, mass and class probiotics that is what we could get. Good gross margins, huge opportunity, probiotic market in India is growing at around 14% to 16%, we have got 7.5% market share. We intent in the coming time we should double our market share, we should become top three players that is what we want to do.

Nobody is running away from the cost pressures that the industry has been speaking of, not only in pharma, but across sectors with the RMTM cost going up, the freight cost going up overall the difficulty is that all of us have been hearing and witnessing in terms



of the inflation costs, which is going up, so eventually they are going to be headwinds in the business, but equally we are looking in our organization and that is what has been learning for us in terms from how do you drive better productivity not only on the ground, not only in manufacturing plant, but across the company and that eventually will only help us to reinvest in the business.

So, we had laid down five pillars in terms of what we want to do in our domestic business and just to once again reiterate that 60% to 70% of our time, money, effort and energy will go for India business that is where we stand and if I have to elaborate on all the levers, the entire realigning go-to market strategy where we have put a full transformation process in place, we re-optimize our resources on the ground, we looked at how do we cater into new avenues of progressive category of businesses that is what we have done, get into new launches, which would generate revenue and those all are helping us in terms of gaining ranks. If you look at the per person productivity as we call in India business, we started in FY2019 we were closed to Rs.3.5 lakhs, today we are close to Rs.5.6 lakhs and going ahead we see this productivity equal to 14%, so that is where we stand so looking at overall as a picture with good gross margins, better mix of products this should only help us of driving better productivity.

If you look Indian pharma markets 60% to 70% of contribution of 1.5 lakhs Crores market comes from acute business and around 30% to 40% contribution is coming from chronic business. If you look at the way we were placed in FY2018-FY2019, we were 40% business was coming from chronic and 60% was acute as the pharma market, but we have inched up in terms of our chronic business now close to 50% with the entire work that we done in the world on hypertension, in the world of GI where it more mix of chronic and equally in world of nephrology and addition to Sanzyme also you would have heard and we have been talking to you in terms of we have got into the world of heart failure, we are getting in licensing product from Novartis, which will only help us in terms of inching up our contribution of chronic portfolio to 55% in the coming time.

This is what I was talking about and many of you when we have been interacting that J.B. is the five brand story company, but actually friends it is not a five brand, we are talking of 50 SKUs put together in this franchises. When we talk of Rantac, when we talk of Metrogyl, I think we have got the privilege in terms of some fundamental work which has been done in the company of getting into the world of incremental innovation so just to give examples, we have got Rantac 150 mg, Rantac syrup, but we have also got Rantac OD 300 mg, which conceptually is the prescription from the specialist, we have got Metrogyl 200, 400 mg tablets, which is a household name, but equally also we have got Metrogyl ER 600 Extended Release tablets, which drive better patient compliance, we have got Nicardia, which is the drug of choice for uncontrolled hypertension, Nicardia 30, Nicardia 60, Nicardia Retard, but also we offer as a product in our basket Nicardia XL, which is Extended Release which drives better patient compliance, so not only



legacy products, but equally the company has worked over a period of time of getting the right line extensions and incremental innovation as we need.

Let us talk about Cilacar for a moment, 300 Crores franchise, people will be talking Cilacar is a one brand, but I can count which is Cilacar 5, 10, 20, Cilacar M, Cilacar T, Cilacar TC, Cilacar TM enough opportunity, variety of indication, different facility one in four hypertensive patient is not knowing that the person is suffering from hypertension, so it is a huge opportunity for us in terms of how we can drive the ecosystem and why not to aim for in next five years who knows this brand would be worth 1000 Crores that is what is the intension going ahead, that is what we want to do, so what I wanted to share it is not a five brand story company, it is an opportunity that we look at in terms of what we want to do with doctor community in metro, tier one towns with the specialists and also look at what we can do with channels for our legacy portfolio for our Rantac and Metrogyl which conceptually will help us only to gain ranks and deliver market winning performance.

New launches I spoke earlier contribution was close to 1.5%, today we stand close to 4% contribution, which reflects about the engine, which is running on the ground is agile that is the way we think and we have got into some category of products, which is a combination of getting into the world of respiratory with more into specialized world of respiratory with lung fibrosis, getting eventually into the world of diabetes, with cardiology we have got a good presence, why not to extend that, in the world of metabolics, getting into the world of diuretics, so we will continue to launch the products where we want to play and win and generate prescriptions and look at not venture into a new category of business where the life of our medical representative on the ground becomes difficult, we want at least a good starting point where we have a relationship with the healthcare professional where we can go and demand prescriptions.

Let me spend two minutes on what we are trying to talk about Sanzyme and Azmarda, from our opportunity perspective 2000 Crores market in India, probiotic where we hold 7.5% market share in the form of Sporlac, which is mass probiotic and equally class probiotic Lobun and Oxalo, which is basically more in lieu of halting the progress of chronic kidney disease that is what we have acquired. We have got a lot of synergies as we see from our prescriber base, nephrology is a facility is close to us, GPCP mass probiotic we can enhance our presence. Life cycle management has a tremendous opportunity when we look at Sporlac as a brand, 2000 Crores market, mass probiotics, 500 Crores market opportunity for liquid probiotics that we do not have today the formulation so eventually we will see some new line extensions from us in the form of liquid formulation for probiotics equally some of the geographies where J.B. as a company has got dominant presence, if I have to talk about UP, Bengal, Kerala where 40% of our business comes, there Sanzyme as an asset is underleveraged, underpenetrated, so this is a perfect opportunity for us in terms of how we can increase



our foothold and at least look at doubling our market share and look at how we can get the prescription from the specialty.

Coming to Azmarda this according to me is a disease of next decade when we talk of heart failure, 12 million to 15 million patient suffering from heart failure in India and only 10% to 15% of population is today getting treated maybe because of the cost of therapy, maybe because of the diagnosis being not done. Last week I was in Delhi attending a CME among top cardiologists, nephrologists, diabetologists of the country and they are putting some guidelines in terms of what can be done in the world of hypertension and heart failure and the theme, which came out, which conceptually we want to work is to prevent the progression of hypertension to heart failure and we are perfectly poised with our brands like Nicardia, Cilacar and now Azmarda in terms of how we can influence the ecosystem and what to what how patient can be well treated, how we can influence the ecosystem and look and how more diagnosis can be facilitated by the way this product goes off patent in November-December and you will see 50 companies coming with this combination of Sacubitril and Valsartan and but we have got six to eight months where we are looking at how we can at least look at better medical marketing presence, look at in terms of how we can improve our spread of prescription that is the intention going on ahead.

Sanzyme I have spoken, Azmarda also I have spoken. So 15 months ago when we shared with you our strategy that in terms of where we were today we are talking where we are and where we want to be. We were 32nd ranked company today we are in top 25 the fastest growing company in Indian pharma market have gained ranks. We want to be in top 20 company backed up by what we want to do organically continue to deliver market beating performance, looking at inorganic assets. We will not be shying away in terms of if there are opportunity, which are coming on the table, which are more synergistic to the work that we do in the therapies where we are present and not putting stress on our balance sheet, also we took at the contribution which is coming from India business, which is close to 50%, we are looking at how does that contribution goes to 60% and eventually within the 60% business of domestic business we are looking at how does the chronic contribution go up that is what is the task that we have taken. Five brands with top 300 the way I look at in the next 8 to 12 months, we should have Sporlac equally Azmarda as the new entrant in top 300 and that is why at least we have got into the world of acquisition of these brands.

New launches has been not a great story for J.B. for last five years, but eventually now we have got into some new categories of business with reorganization, optimizing our resources and the initial signs in terms of what we see from 1.5% of contribution has come to 4% and going ahead we would like inch up this contribution and look at how do we at least get more into progressive categories of business, be it pediatrics, respiratory, metabolic, diuretics that is what I shared earlier.



Specialty focus we were more a JBCP company, we were close to physician for hypertension, but now we are looking at with heart failure focus with what we want to do in the world of hypertension, diabetes, how can we come close better to cardiologist, what can we do with respiratory specialist, diabetologist so that especially focused we want to do in metro and tier one town of the country in terms of getting prescription for our progressive SKUs and equally look at what we can do with our legacy product in the world of channels. I spoke about 5% productivity in terms of where we stand, where we were, where we are and where we want to be close to 3.5 lakh productivity where we were in FY2018, today we stand to Rs.5.5 lakhs, eventually we want to get into a bracket of Rs.6 to Rs.8 lakhs, but it is a journey that is what we want to travel.

More talking about because whenever we talk to you, people have been complaining that you do not talk more about what is happening in the international market where J.B. is present, so outside India if I have to talk about before coming into the performance, let me put this slide in terms of where we are present, outside India our home markets are South Africa and Russia, South Africa close to 300 Crores business 50 employees we are known as Biotech there, we own the 100% subsidiary, it is a combination of public and private play, obviously the public markets are thin, private market we are looking at how does the contribution going to go up, it is a generic-generic play for us in South Africa. Russia overall we have got around 10 brands, which we market, it is a brand barrier market in terms of when you look at not easy to get product registered, but we are fortunate close to around \$20 million business, which we will talk in detail in terms of the geopolitical issues, what are we trying to do in terms of looking at the guarded approach that we are looking at how do we take this Russia and CIS presence ahead.

Outside to this home markets we are present in 40 countries that is what we call ROW business, which is a combination of four clusters, Sub-Sahara, Africa, Latin America, Southeast Asia, and Middle East that is where we stand and this is more a distributor led model. We work with distributors and they have representatives who work for J.B., who are for companies to put together and equally we have got some presence in US, we own 15 ANDAs close to \$30 million business. US business the way we are looking at going ahead our run rate has been one to two ANDAs that we have been filing every year, going ahead we will look at filing 8 to 10 ANDAs in the next couple of years, which will be a combination of low volume, high value and niche competition and this is backed up by the work that we are trying to do in the world of APIs, we have much of the API that we manufacture will help us to be cost competitive in US market as you all know that there is a price erosion, this risk, which always we face in the world of US market. That is where we stand. These are the cluster of business where we are.

Just to share once again overall the performance we could bounce back in quarter four backed up by some of geographies in BGS market, equally South Africa we are now today 50 brand company going at a phase of 20% plus as compared to single digit market



growth and from a perspective of CMO business where we work with one of our big partners there we could see better demand coming in and eventually for next year also we see at least that business will help us in terms of driving the volume growth.

Outside India business if I have to talk about one thing which we feel pride in terms of the work that we have done over a period of time and the relationship that we enjoy with some of the big multinational player be Procter & Gamble, Johnson & Johnson, Reckitt in South Africa where we closely work with them and this relationship has been longstanding of last two to three decades in terms of where we stand and this is majorly dominated by the work that we do in the world of lozenges and lozenges business for us we are the fifth largest manufacturer of lozenges globally though up till now we have been present in the world cough and cold, but the agenda going ahead is to widen our offering, get into the world of immunity, wellness, acid disorder, oral thrush those proof of concepts we are developing and equally look at how you can add more partners.

So, this according to me when we have the capability, then we have the capacity in terms of how this business can become big, this business is close to \$30 million for us with good gross margin we are looking at how you can double, triple this business in the coming time, so this was a quick presentation from my end in terms of the scorecard for last 15 months how we have performed and equally the strategies that we had laid down 15 months ago where do we stand today and some glimpse of what we want to do in the coming time. From here I will like to invite Lakshay Kataria to talk more about financial details in terms of how we have performed in last quarter and annually. Thank you.

Lakshay Kataria:

A very good afternoon to all of you. What I am going to do in the next couple of minutes is talk you through our financial performance for quarter four and for last where are we going from a business perspective, so there is a non-cash ESOP cost that has now become a part of EBITDA, so if you add back and also add back some of the onetime cost where we you know in the last one quarter we closed two acquisitions so there were costs related to transition, transaction, advisory cost so if you add those back, the adjusted EBITDA for the quarter will be about 164 Crores and for the year at 634 Crores. In terms of percentages it is pretty close to the guidance we have been giving you every quarter, if I look at year-on-year growth from a quarter four perspective we were at 124 Crores same quarter last year, so underlying EBITDA is about 164 Crores and for the year against 560 Crores we are reporting about 634 Crores and like we Nikhil said I think the endeavor has been to be close to our guidance and also sort of balance all the headwinds we are seeing in our operating ecosystem, but also investing for growth.

I think as we move forward that is going to be the journey, we will invest for growth and we do get questions in terms of our opex front and also the underlying expanses have moved, but it is a very considerate choice of balancing long-term growth and the places where we want to invest. So from a perspective of a little bit more colour, so in terms of



how things have moved EBITDA I talked about 32% growth over last year for the quarter 13% during the year. Gross margins have seen across the industry have seen no intrinsic valuation right, cost pressures have caught up with everybody you know whether it is the freight cost, whether it is raw materials, packing materials whether it is power and fuel I think across the industry we have seen those spike up. We are also not untouched, we are also seeing those challenges, but I think through mix of pricing, through mix of cost initiatives, efficiency projects that we are driving, we have been adding, able to do good job in terms of holding close to 64% to 65% if you see various quarters during the year and overall for the year we are closer to 65% gross margin.

Our operational expenses have stabilized if you just for the acquisition related expenses and the acquisition we made quarter-on-quarter largely the operational expenses were stabilized. PAT, I would explain a little bit more detail in one of the slides, but basically I think two things have happened on the PAT development year-on-year for us, one we had certain one offs last year to the tune of about 40 Crores to 50 Crores, so those one offs have gone off and also as we have invested for growth and acquired businesses the treasury income obviously also goes away, right so that the reason you do not see the fall through of EBITDA into the PAT line, so I will probably explain a little more on the underlying trends in the subsequent slide. So, these are the reported numbers not much to talk beyond what I have already done. Tax rate again closer to 25% for the year, a little bit lower this quarter because we sold certain mutual funds where the effective tax rate is lower so we got that benefit during the quarter, otherwise not much to add on the numbers.

A little bit on the cash flow, so what you basically see is what we have reported as cash from operations is about 170 Crores. I just want to explain it is not actually the real performance of the business because we have had substantial investments one in the brand acquisition we made, we had to pay fairly substantial amount of GST right on the brands we brought, in addition to ensure continuity of supply and continuity of our business operations we chose to invest in our supply chain be it in terms of advances, inventories, certain part of trade receivables to make sure our businesses are not disrupted, so that is a sort of a conscious decision by choice so a fair bit of this 300 Crores that you see going in working capital is actually attributable to that and not to the underlying business, so overall from a cash perspective we have generated about 30 Crores roughly during the year and by and large as we had explained earlier in one of the calls most of the cash flows used up for the acquisition of Sanzyme business.

A little glimpse of if you see over the larger period how we have been faring, so if you look at our revenue trajectory right there is a CAGR of 14%, so from 1400 Crores to 2400 Crores matter of four years, which is a CAGR of 14% to 15% and within that if you look at a domestic business we have almost doubled over the last four years right from 588 Crores to 1170 Crores and if you see more than 70% of that you are getting added in



the last two years right, so I think a fair bit of acceleration seen in the business as Nikhil explained in the last two years.

Similarly, on the international side 800 Crores business four years ago, this year at about 1250 Crores and here again if you see the trajectory right, out of the 400 Crores odd, 300 Crores has got added last two years right so I think both businesses are seeing resilient performance, strong performance.

Coming to the financials, if you look at our reported EBITDA it is 26% growth, but like I explained earlier this has certain one offs related to acquisition, it has a non-cash cost pertaining to ESOP, if you nullify for that it is a 30% CAGR over the last four years. From a PAT perspective if you really look at a trajectory, we were making little less than 150 Crores four years ago, last year we reported 450 Crores, but there was an underlying one off, so if we net that it would be about 410 Crores and this year while we have reported 386 Crores if you add back the non-cash and the acquisition related expenses the underlying trajectory as per PAT also continues to be fairly strong, so 139 Crores to about 450 Crores would have seen you at about again 30% plus.

I think that is my last slide. I will probably hand it back to Nikhil again for his closing comments.

Nikhil Chopra:

Overall, I think you people would be obviously having a lot of questions in terms of growth that we have been showing and equally from where we come from EBITDA margin perspective, we are more than happy to answer those questions in our Q&A forum and thank you Lakshay for detailing the financials.

Now coming to the second part of the agenda in terms of what we want to talk to you. Setting the context in terms of how and what we as a company has been known as, so when I joined this company obviously we are listed as a company called J.B. Chemical and Pharmaceutical Limited, so people have been asking whether you are a chemical company, what are you trying to do in formulations, we have to give them answer. India business when we had launched four years ago, three, four divisions we were called Unique Pharmaceuticals. What is Unique Pharmaceuticals? Then you talk about Russia, OOOUPL third name, you talk about South Africa you are called Biotech fourth name, last two years we have been calling ourselves JBCPL some of you would be knowing, so it is the brands in the company have a better identity as compared to the company identity that is what we felt in last 12 to 18 months and we would have done this exercise 12 to 18 months ago, but we thought at the right time regularly communicating and talking to all of you and the journey that we have travelled in terms of where we stand today and I think you people also have better visibility in terms of understanding the company better.



We have been working for last six to eight months in task of getting the right identity in place, which I think is a good starting point and company identity building over a period of time, talking more about corporate journey that is what I believe and that is what I have practiced in my previous organization, so here it is a good starting point where we think today at least J.B. Chemical and Pharmaceutical as a company has been spoken around at least doctors know us so we thought why not to use this opportunity and come with a new identity, which is not that different to where we stand, but close and at least looking at from a perspective of what we want to be known as, so we are not changing our identity on the stock exchange, but we are now getting into a new branding of what we should be known as and how we will talk about ourselves in the coming time so at this moment of time I would ask my audiovisual team who have a corporate identity video, which I think we will talk about itself and then let me come back and at least talk to you in terms of how do I feel about the new identity.

Jason D'Souza:

Friends, this our new identity J.B. Good People for Good Health, we had a media conference a couple of hours ago and we said why not also show this entire new identity and all this lovely setup for the analyst also and thus you all also got a privilege to kind of witness it. With this I would like to just invite the management just for a few minutes just as a token to stand on stage and then we will go to the Q&A, please Dilip, Kunal and in the meantime we will also be ready for the Q&A. We will just have this very quickly done. As you know there are more than 250 people online also watching us so it is important that they also get a glimpse of this wonderful event along with the results that have just been announced, so we are going to keep this short and weight and that is it, thank you. So, as this logo goes behind we will request the management to come on stage for the Q&A and we will start the Q&A in just a couple of minutes. May I request Nikhil, Lakshay, Kunal, please come on stage and I think we can now dim the lights because I cannot see anyone in case they have to ask some questions, so I think we can begin with the Q&A and first the opportunity for the physical audience, so anyone who would like to ask a question please raise your hands, yes please. Please go ahead.

Rashmi:

Good evening everyone. This is Rashmi from Dolat Capital. My question is related to Azmarda since it is going to become off patent in January 2023 and you know we will see that 50 companies will enter into this category and for next six, seven months we have time to penetrate in the market as well, so here what would be the cost that could be associated to it and will it impact operating margins and also are you expecting that when many companies come into the picture whether it is going to expand the overall market because the penetration for this particular product in our country is pretty low?

Kunal Khanna:

Like Nikhil mentioned, we have invested in a therapy, which it quite progressive and we believe just like what we saw over the last two decades what happened with the lipids and statins, the next two decades are about heart failure. Just to give you some broad numbers we are talking about heart failure of 15 million patients, 10% to 15% only under



treatment and the key inhibitors out here are cost of treatment as well as the fact that there is limited awareness about therapy since this molecule was only launched three years back. Going forward certainly the competition is going to intensify. There are no two ways about it; however, having said that if you see what has happened in the Indian market over the last four years whenever a molecule has gone off patent, be it Ticagrelor, be it Vildagliptin in most cases the volumes have actually gone up three times, which have actually helped to neutralize any price impact because as the affordability kind of becomes better, the ability of prescribers to make it available to more number of patients given the actual prevalence becomes much more easier and accessible so we also certainly believe given heart failure is going to be a very chronic serious indication, which is going to impact the population, there is no reason why the volume are not going to go up two and two-and-a-half times within two to three years horizon and the brands who enjoy exclusivity during the pre-LOE phase certainly are able to retain their market share. The second important point out here is from pure financial and margin standpoint post-LOE of course we will have the flexibility of sourcing this domestically and localized because right now because of our arrangement with Novartis we are kind of importing the drug and therefore dealing with a limited gross margin profile, which significantly improves and kind of neutralizes any price impact which is going to happen post-LOE, the first six months are certainly investment led growth, it does not impact our overall EBITDA situation in any way, but we certainly believe post-LOE this is a good margin accretive opportunity for us.

Rashmi:

My second question is related to the CMO segment, we are expecting a very strong traction in this particular segment and that is the reason we are adding customers as well as new product launches. Could you just broadly give an idea which geographies currently we are in and whether we are just launching cough and cold segment or there are other products, which we are targeting?

Nikhil Chopra:

As I spoke I think what we are getting into is to go beyond cough and cold and there are novel proof of concept which have been developed more in the world of immunity, wellness, GI disorders and the geographies that we are present is a mix of Russia, South Africa, Southeast Asia, Australia and New Zealand and the sweet spot if I have to talk about our CMO business is both from a capacity point of view and the capability point of view, we are rightly placed and we are not just a dormant CDMO partner, we actively participate with all these big companies periodically to get to know about the market happenings, equally participating brainstorming with their teams, look at how conceptually we could be delivering better drug delivery, how conceptually we can be cost competitive and widen our portfolio depending upon what is the demand for the new products coming in, so this business according to me as all the right elements the way we are placed and with good gross margin we are looking at, at least how do we make the best out of this opportunity that we have got in place.



Jason D'Souza: There is another question. We have some senior pharma analyst, Anubhav Prashant, why do not you go ahead, please.

Tausif Shaikh: This is Tausif Shaikh BNP Paribas. Sir, congratulations on a good set of numbers in a very challenging environment. My question is mostly to Nikhil Sir, about India business, so where would you like to see your India business in the next three to five years and what would be the key drivers and how many MRs you plan to add in FY2023 and FY2024 and also if you can give the update on respiratory division like how big it is for India and what is your plans because you have a string of handling Cipla inhaler and you are very good at it, so do you plan to enter any device related respiratory products going ahead?

Nikhil Chopra: First of all we do not want to get into the world of inhalation, I think there are enough companies who can justice to the portfolio that they have got, but there are selective opportunities in the field of respiratory more in the world of lung fibrosis, pulmonary hypertension, mucolytic agents, antiallergics, there we have launched the products, still the revenues are not up to that level because it has been a six month journey only, but we are seeing enough traction of prescription that is what I can share at this moment of time, on India business as I shared in terms of where we stand today, 23rd rank company, close to 1% market share, gained nine ranks with a combination of J.B. Sanzyme and Azmarda, obviously the entire hypothesis of the way we look at growth is what I spoke the big brands have to get bigger because when I talk of this big brands I think one point also has to be consider that we have got a dominance presence with 50% to 85% market share in this big brands, so we conceptually have to drive the ecosystem in terms of how more and more number of patients suffering from hypertension or what we are trying to do in the world GI disorders will only help us to drive market beating performance with a combination of organic work that we are doing and delivering market beating performance and in the form of inorganic assets that we have got we obviously want to be in top 20 that is where we stand. Have I answered your questions? MRs today, we have got a mix of 2500 people when we look at all the three entities, so in near future we do not intend to add any MRs we are looking at how do we drive better productivity that is what is the intention going ahead and with all the process and systems that we have put in place getting on the world of sales force excellence, sales force automation, optimizing our resources, digital marketing, patient initiative programs, I think we have enough opportunities with 2500 people on the ground.

Amar: This is Amar from AlfAccurate. Sir, my question is primarily on the Sanzyme acquisition, can you help us understand like what would be the revenue for FY2022 for Sanzyme and what would be the margin and secondly what would be your target for Sanzyme let us in three years both from the revenue and the margin perspective?



Nikhil Chopra:

FY2022 the revenue was almost negligible, it was first two months of our operation we were more into the integration part of Sanzyme business. We have acquired this business where the revenues were close to 140 Crores with good gross margin of 70%. More than getting into the revenue aspect let me talk about the way we see this business, what I spoke we have got three big brands, first being Sporlac close to 60 Crores brand where we hold 7.5% market share fifth largest player growing at around 8% to 9% as compared to market growth of around 14% so first you would like to at least deliver market beating growth that is what if we are doing at J.B. why not do intend to do the same for Sanzyme portfolio equally when we look at Sporlac as a brand enough opportunity in terms of the geographies where Sanzyme is the entity is underleveraged what I spoke in markets like UP, Bihar, Bengal, Kerala, where we got dominant present from J.B. and third enough opportunity in terms doing life cycle management getting into new portfolio, getting into liquid probiotic that is what we would like to do for Sporlac as a brand and you should see us in the next eight to ten months this brand we want to get picture into top 300. Coming to class probiotic if I have to talk about where we have got a couple of brand with the brand name Lobun and Oxalo where the revenues are close to 40 Crores, there we see a huge opportunity because nephrologist as a specialty is very close to J. B. with what fundamental work we have done over a period of time and these two products basically halts the progression of chronic kidney disease that is what is indicated and this two products have enough evidence in terms of when we go in detail in the clinic of nephrologist we meet close to 2000 nephrologists and there are 1400 nephrologist who are giving prescriptions to J.B., so that is the strength we enjoy so from a perspective of opportunity not getting into where do we see three years from here, but I think if you can look at from a Sporlac mass probiotic opportunity, geography and footprint opportunity, lifecycle management opportunity for mass probiotic and equally the work that we want to do in the realm of class probiotic we conceptually are better poised in terms of climbing our rank fifth largest company in probiotic we want to be in top three, we want to deliver market beating growth and some given time sees Sporlac in top 300.

Amar:

Sir, my context to ask this question was like in 2017, Sanzyme individually used to do to 230 Crores kind of revenue with 28% to 29% kind of EBITDA margin, so my context to understand is that, do we see that at least in three to four years we can reach the historic level of Sanzyme?

Nikhil Chopra:

I think we should do better that is what I can say that is what a good commentary I have given in terms of when we look at qualitative aspect and outside Sporlac, Oxalo and Lobun we also have got portfolio which is more into female healthcare more into the world of infertility, so eventually this asset when we saw was having confined present now we are looking at how do we improve the breadth, go more wide and at least bring a lot of discipline in the work, which has to happen in the clinic of healthcare professionals what we have done in last couple of years at J.B.



- Jason D'Souza:** We will make the next question I see the hand going there. Please go ahead, Nithya.
- Kunal Khanna:** Just to clarify one point with respect to Sanzyme what we have acquired is the domestic brand phase right, there is a separate contract manufacturing business and some part of exports, which does not form part of this consideration so just wanted to clarify that part with you because some of the numbers which you kind of putting across me have that element as well.
- Jason D'Souza:** Thanks Kunal. Nithya, the next question before that the online audience in case you would like to ask a question, please let us know we will un-mute you and you can also ask a question. Nithya, go ahead.
- Nithya:** Nithya from Bernstein. Nikhil, if you can tell us a little bit about your trade generic foray in India, why now why does it make more sense now, what kind of therapeutic categories are you looking at, and one concern is do you see this says expanding the market itself or is there a threat that it may cannibalize your branded generics?
- Nikhil Chopra:** Nithya, we had less than 5% of portfolio, which was not on the prescription of healthcare professionals, it was more in the world of cough and cold and pain so that is what we have shifted trade generics and trade generics as you know it is a big market opportunity though margins are thin, but if you get some good critical mass of operations were consuming and then you get into the brands that you can create in the world of trade generics is some of the organization has done, the opportunity comes in and from a perspective of we are not looking at launching products, which conceptually will cannibalize the presence in the prescription market that is not the intention and we are not looking at that business to go in terms of high value we have good portfolio existing and we have launched some of the SKUs, which is more into acute, more into cough and cold, more into pain, more of the legacy products, which were not on the prescription of the doctors, so that is what we saw that as an opportunity and this business still is a single digit contribution which is coming to India business.
- Nithya:** We will see that becoming meaningful?
- Nikhil Chopra:** No, not that meaningful I think we have enough opportunities what I have been speaking in terms of what we have got, in terms of what we have acquired, whether we talk of Sanzyme, we talk of Azmarda or the new launches that we have come with.
- Nithya:** One last one on capital allocation, so when you look at the various markets that you are present in, why does not it make sense to continue investing in the US given all the competitive intensity, we are seeing, the fact that price erosion is not going away anytime, anywhere soon, why invest in the US at all?



Nikhil Chopra:

Let me start and then Kunal can come in, in terms of the US model for us is a very different model, it is cost plus model, we are not directly present in US, we have been holding 15 ANDAs and some of the ANDAs that we hold we were backward integration of the APIs that we manufacture, we have been filing one to two ANDAs, now close to \$30 million business that we do in US, that is not that we are investing that big capital and we want to be a \$200 million company that is not the intention going ahead, but we have identified some opportunities in terms of the technologies that we have got whether we talk of ORS technology, we talk of laser technology where J.B. plays a bigger role and the products that we have identified are low volume, high value niche competition, API backward integration, so we do not want to get into \$200 million to \$300 million business where you start getting the pressure of price erosion, but we would like to test ourselves, is it that this we can do and that is how you have enhanced our R&D expansion or R&D spend are still sub 2%, so it does not make that big impact in terms of when we look at from my EBITDA perspective. Kunal, I think you get there.

Kunal Khanna:

Just I think very similar thoughts out, I think what we are trying to do it make maximum use of the infrastructure, which we have in hand right, we are fairly large player on the ORS platform, we have seen very good success with very limited products, which we have launched and our approach of selecting the products also which are going to come through over the next 18 to 24 months is to leverage on the platform, which we have and be very sure of the execution capability, so we are kind of pursuing assets, which we know, we can execute very well from a development and manufacturing standpoint and it is a very selective stage gear approach as Nikhil has always maintained right, so nowhere are we committing to specialty, nowhere are we saying we are doubling or tripling our R&D spend, as we see success in a very gradual and selective way we will want to kind of pursue more assets if we believe it is an excellent for us.

Jason D'Souza:

We will just take a question from the online audience and then we will come back to you Cinderella. Operator you can go ahead and unmute the online audience. I guess if that is not happening we have a question on the chat box, I think clearly one question, which has come in from Rahul is that what about the operating margins that you are seeing going ahead in the next year?

Lakshay Kataria:

I think if I look at our operating margins of the quarter in the range of about 25.5% to 26%, the way we are looking at the next one year and the visibility we have, we see our operating EBITDA in the range of 24% to 26% depending on a lot of dynamics that play right now that is the visibility we have. I think from our perspective two or three critical things to make sure are EBITDA trajectory continues to be strong is one, managing this uncertainty on the supply chain front where Kunal and his team are driving a lot of initiatives to make sure our costs are under control and we manage this inflation well, second we will be looking at a lot of pricing initiatives wherever there is an opportunity to maximize in pricing that is another opportunity from a profitability perspective and



last while we continue to invest for growth, Nikhil and Kunal talked about Azmarda, Sanzyme, we will invest, but on rest part of our expenditure we will be fairly disciplined so I think a culmination of these three should help us make sure we are closer to our long-term guidance in terms of the operating EBITDA.

Jason D'Souza:

Thanks, Lakshay. We will just once again on the online audience.

Moderator:

We have the question from Mr. Ranveer, go ahead.

Ranveer:

Thank you for taking my question. My audio was disconnected for a minute, so maybe you might have explained it, just a repetition just wanted to understand that in Q1 was there any contribution of Sanzyme and CMO, US business?

Kunal Khanna:

I guess the question is referring to Q4 right or the financial year?

Ranveer:

Yes.

Lakshay Kataria:

I think Nikhil alluded to that fact, we had two months of revenues kicking in, February and March generally tend to be extremely soft, so the contribution from the Sanzyme portfolio was nominal and if you are trying to understand the fact that India market IPM grew at 10% versus J.B. growing at 30% and how much does Sanzyme add to make things much more clearer even without Sanzyme portfolio our growth would have the market beating and we would have been easily 20% upwards, so organically also without that portfolio we would have had almost 20% plus growth.

Nikhil Chopra:

I think he had more question in terms of what was the CMO uptake, so CMO, we had some good orders in terms of not quarter two and quarter three were not great months, but quarter four we could see the demand coming back, but it was one of in terms of what demand came for the CMO business, but eventually we see some robust order book for the coming year because that business some of the geographies particularly Southeast Asia, Russia, Canada, Australia and New Zealand where we have been working closely with our partners, there we see robust order book going ahead, but if you look at standalone quarter four, the figures were uphill, which would not be the run rate going ahead, so that is what we want to clarify.

Ranveer:

Sir, seventeen product launches include that Sanzyme that we had acquired?

Nikhil Chopra:

No. Sanzyme and Azmarda are outside of those seventeen products and I had shared that we have launched new products in the world of pediatrics, respiratory, metabolic, cardiology that is what we have done.



Ranveer: Just a last one if I can express, it seems that Metrogyl sales have significantly come down, you can confirm this?

Nikhil Chopra: What sales, are you referring to Metrogyl, Metrogyl sales have come down is the question.

Ranveer: Yes, Metrogyl in Q4.

Nikhil Chopra: No, it is more a seasonal trend. Overall I think Metrogyl we continue to deliver market beating growth and Metrogyl is a combination of 200 mg, 400 mg tablets and equally of ten preparations topical in the field of Metrogyl, so Metrogyl 200 mg, 400 mg and IV are more seasonal dependent, but equally the topical preparations that we have got maybe may be ANO-Metrogyl, Metrogyl P, Metrogyl gel, there are different formulations, which continue to grow.

Jason D'Souza: Thanks Ranveer. We will take the next question online and then we will come back to the physical audience. Go ahead, Diksha.

Moderator: We have the next online question from the line of Aditya Khemka from InCred PMS. Please go ahead.

Aditya Khemka: Thanks for the opportunity. I just need to understand the capital allocation I know this question has been answered once, but I will try to ask it from a different perspective, so when you do your capital budgeting for the US you consider R&D cost, you consider material cost that you will incur and working capital investments, basically I understand you already have do you get your return on capital after investing in that investment of more than 15% because most of your peers who are present in US maybe 20, 30, 40 times your sales and also your peers were on the two to three times your sales, now there seem to be beating cost of capital in US?

Lakshay Kataria: I will try to address that, so from a US perspective one like Nikhil said it is not a very large piece right, so it is a \$30 million business and our model is different we work with front end partners and in that sense from a capital employed perspective it is not a significant sort of drawn on cash resources, so we do make decent amount of return on capital, if you look at last year as an organization after netting off the acquisitions and the non-cash expenses ROCE is still be upwards of 35%, so I think that should address your question.

Jason D'Souza: Do you have another question followup?

Aditya Khemka: Yes, I do, I understood, just on that I was trying to again question you on that because what is the secret sauce that we are using to do more than cost of capital in US because



none of your peers seems to be able to do that. I just want to understand what is the recipe to success that we currently have and how do we believe what makes us believe that we will be able to do what none of the others in India seem to be able to achieve, what is the competitive advantage the right to win?

Lakshay Kataria:

I think as far as US is concerned so far the only thing we will maintain is the success is being extremely guarded and conservative right, that is the major difference between us and some of our peers, we are not kind of anywhere pursuing a strategy which disproportionately increases our revenue mix of balance in favor of international markets and particularly U.S. Nikhil mentioned very clearly that 70% of our time, investment, bandwidth, capital allocation is going to go further domestic franchise, what we are trying to do out there is we believe we have infrastructure resources in hand, how do we maximize that and have a very, very selective play to maximize that opportunity.

Jason D'Souza:

Thanks Aditya. The next question I think Cinderella go ahead if you have any question.

Cinderella:

Cinderella here from JM Financials. I want to understand your M&A strategy going ahead given that we have acquired few already in India, what is the focus, how should we look at it and overall how should we look at the entire growth aspect going ahead, what would be the key driver also and from M&A perspective, how much kind of traction we should expect?

Nikhil Chopra:

So from M&A perspective we will continue to evaluate assets, which are more in synergy to where we want to play and win, we do not want to get unnecessary stress on the balance sheet that is not the intention, we do not want to chase mad evaluations that is what we do not want to do, we will look at if there are brands available, which are complementary to the categories where we are present we will obviously pursue that that is what we want to do going ahead. I am a big fan of volume growth if I to talk about growth obviously this year we are getting benefit of price growth in the country, but that may not be sustainable for long-term and with 1.3 billion population a huge opportunity what I spoken in terms of where we are placed as a company in the world of hypertension, now in the world of heart failure, in the world of probiotics, so we will continue to drive volume growth from our organic business obviously you will see new introductions, which would contribute around 4% to 5% to our growth and the assets that we have acquired, which today are not growing as far as the wave market is growing first of all we want to get into a market beating performance, the probiotic market is going at 14% we as an asset when we acquired which is going at around 8% to 9%, we would like to get into a growth of 15% to 16% in the coming time with the integration fundamental work, which has been done and Kunal spoke about the opportunities that we have in the world of Azmarda with only 10 million to 15 million patient suffering from heart failure are getting treated and once the product goes off patent you will be seeing 30, 40, 50 companies coming in, the cost of therapy will come down, more diagnoses will be done



for the patients who are suffering from heart failure so both the assets that we have acquired I think that we have got at a good price, we are looking at those assets to fuel the growth in the coming time and we have got the right things in place that is how I see growth going ahead.

Cinderella: Any external acquisitions that you are looking at?

Nikhil Chopra: There are a couple of opportunities as and when it comes there are one or two opportunities in the world of South Africa where it is a more generic, generic play, but as and when it comes we will be able to have more colour.

Cinderella: Just a couple of more questions, so in terms of the recent acquisition, how should we look at the impact or what we will carry on the gross margins and on the depreciation side for the coming year?

Lakshay Kataria: I will take that. From a depreciation perspective there will be an impact of about 35 Crores to 40 Crores a year, we will be amortizing these brands over 25 years, that is first part. From a gross margin perspective like Kunal explained earlier, Sanzyme is accretive. It makes 70% plus gross margin, so that is an accretive of acquisition. Azmarda for the next fiscal because we are mostly importing and will have a lower gross margin, but as it comes out, as we go into domestic sourcing the gross margins will get better.

Cinderella: If we look at overall business from an India perspective, should we be able to grow it much faster with these acquisitions now and I mean would we be able to double it sooner than expected earlier?

Nikhil Chopra: Without the acquisition also we were growing faster than the market, so eventually with the acquisition and with the right integration happening I think we should see us doing better.

Cinderella: Within three years doubling?

Lakshay Kataria: See, I do not want to get into any speculation of three years or five years, but at least what we intend to do is to deliver market beating performance which we have done in the last three, four quarters and we have got enough things on the table in terms of the levers of growth where we have been present in the categories where we continue to remain focus, we continue to remain a dominant player and if we are able to continue to do the good work in terms of influencing the ecosystem that is what we believe and it is not that we have launched new products and just getting into the clinic of doctor and detailing the products that does not help because of competition outside is intense particularly in chronic therapy, so we will continue to remain focused, we will continue to get the categories in that what I have spoken about cardiometabolic, pediatrics, respiratory,



gastroenterology where we are present and continue to have continuous training to our field force, get more discipline, look at how we are motivated and charged and look at, at least how significantly we grow better than the market, I think market should grow at around 8% to 12% and we will look at it at least how do we deliver market beating performance and eventually get into top 20.

Cinderella:

Great, one more on the backward integration, we spoke around the backward integration portfolio for US market, when it comes to India, how should we look at it and given that there has been raw material and supply challenges, so how should we look at our strategy on the backboard integration for India?

Kunal Khanna:

With respect to Indian market one has a lot of options available through B2B sourcing, right, so we do not necessarily want to put stress on our infrastructure to do kind of backwards sourcing of APIs and all because ultimately eventually the end source versus outsource decision pretty much land up in some form of parity, so we are not particularly stressed about that, we have multiple options for the new launches, which we are doing for our existing in house products and given that in most of these product categories we enjoy 50% to 70% share our ability to command better pricing for the materials, which is being sourced also tends to be relatively better in the industry, so that is how, I mean we do not want to necessarily kind of look at drawing up backward integration blueprint for our Indian products, we are good with a strategy where some of our formulations are manufactured in-house and some of our formulations populations are sourced through B2Bvendors.

Jason D'Souza:

Thanks, Cinderella. The next question I think Kunal, I can see your hands up.

Kunal:

This is Kunal here from Macquarie Capital. Just one question on how your prescriber mix has changed over the last three, four years between GPs and specialists and what it would be over the next three years and what challenges do you see when you move more towards the specialists? Thanks.

Nikhil Chopra:

Obviously, there will be challenges when you go to the specialist, not easy to get the prescription, but the way what I spoke when we started this journey we are more of CPGP company, but now the relationship that we enjoy with cardiologist, nephrologist, respiratory specialist, pediatrics, I do not know whether we have the exact figures in terms of the mix but Kunal, can share that, but eventually I think if you look at the products that we have launched and the prescription that we are getting from the specialists gives us a lot of confidence that going ahead your overall contribution particularly in metro and tier one town for an existing portfolio and for the new products which we have launched will be more coming from the specialist, but Kunal if you have detail?



Kunal Khanna:

Because there are no real data points which are completely audited, but just to give you some broad numbers when we started the journey close to 175000 to 200000 doctors being called and always we had maintained that more than expanding the prescriber base our endeavor is to drive better productivity with the same prescriber base which we are calling and that eventually translates into better productivity with your reps on the ground and with the realigned go-to market model we have been fairly successful in doing that having said that there are other specialties that Nikhil spoke about which we have added, so more chest physicians, pediatricians close to 12000 to 15000 with the IVF portfolio which we are from Sanzyme there are more calls with currently which are going to gynaecs, our exposure to gynaecs have increased by another 15000 to 20000, so there are pockets which we have expanded, but the general endeavor has been that you get a better productivity with the prescriber cost which you are currently making and certainly climb up the ladder with the cardiologist and nephrologist, which are very close to our current portfolio.

Kunal:

And the second question would be on the same line, so when you say you are not increasing the number of MRs but you are still trying to launch lot of products and you are still trying to get a lot of share, so where does that come from whether it will be from higher number of calls which MRs does in a day and will it also increase the product that he has to go to doctors?

Nikhil Chopra:

When we started this journey when I was talking about the entire new go-to market model, which we fully did based on science and evidence we closely with this consultant agency, SMRC and there were overlap of prescribers for our big brands Rantac and Metrogyl, so what we did we had two chronic business units, we had two acute business units we had four divisions, we combined the two acute business unit which were, see we were four product company, Rantac, Metrogyl, Cilacar and Nicardia four products, four divisions so we combined that Rantac and Metrogyl business units we were having close to 900 people today that business is one unit close to 600 people, we got 300 people out and we launched a division which is more for pediatrics and respiratory and what had a good starting point for pediatrician as a specialty, we did not have any products for respiratory, so we have launched affordable product for respiratory, we have launched two, three products for pediatrics so that is how we are looking at productivity going up with now meeting more number of doctors with optimization of resources on the ground and equally getting into the world of diuretics, getting into the world of metabolics with our chronic business units where we have created space that is what the journey we have travelled, that is where we stand, so we have not added any manpower and neither we intend to add any manpower in next 18 to 24 months because we see a lot of opportunities. By the way our presence is big in Kerala, Bengal, UP, but our performance in metro and tire one towns is not great, so there we see huge opportunity in terms of how we can increase our productivity what I showed that our productivity is close to Rs.5.5



lakhs or 6 lakhs. So there would be geographies there are productivity close to Rs.3.5 lakhs to Rs.4 lakhs still, so there is enough opportunity in terms of getting the right management in place on the ground and at least support them from corporate you can look at enhancing their productivity by Rs.1.5 lakhs to Rs.2 lakhs in 18 to 24 months that is what we want to do, I hope I have clarified.

Jason D'Souza:

Kunal, you do not you go with your questions?

Kunal Randeria:

Kunal Randeria from Edelweiss. Nikhil you have spoken a few times on expanding your lozenges business, so are you going to do it only through the CMO route or you think and pardon my ignorance here but is there a prescription in lozenges market also like we be in a good position to exploit?

Nikhil Chopra:

Both the things, both we will do eventually outside India what new opportunities what we see in the world of lozenges, outside the world cough and cold there are half a dozen proof of concept which are already available on the table, there are products under stability, which have some given time, we will offer to our existing partners and also we want to add new partners, Reckitt being the latest addition that we have done. When we talk about prescription already we have launched couple of Lozenges in India, we have launched Lozenges with Aquazyl for dry mouth. Recently we have launched Sensi Cool Lozenges which is 10 mg menthol, we are launching Sensi Cool Max 20 mg menthol, we launched more for cough, cold and congestion and you will see more half a dozen products coming into play in India, which will be a mix of prescription and at some given time we want to venture ourselves injunction to our new logo open to newer possibilities we would like to get into the world of wellness, but it will take its own time and there we want to be more smarter, we do not just want to add people, we just do not want to go ATL because as compared to bigger players we do not have that deep pockets we would like to be smart getting into the world of digital, getting into the world of BTL activities, which will do with channel, so this is what we want to do going ahead in the world of Lozenges, we have the capability, we have the capacity, we know how in terms of the relationship that we enjoy with all the big players so why Indian population, Indian patients should be denied with world class Lozenges that today many of the consumers globally have been consuming from the house of J.B.

Kunal Randeria:

Right and after rebranding do you continue to pay a royalty?

Lakshay Kataria:

There is no royalty.

Kunal Randeria:

I think you used to pay around 1% of sales using the J.B. Chemicals?

Lakshay Kataria:

No.



Jason D'Souza: We will take the question from Sonal but before Kunal had a question, Sonal why do not you go ahead, please hand over the mike to Sonal.

Sonal Gupta: Thanks, Sonal Gupta from L&T Mutual Fund. I mean more on since you have an aggressive M&A strategy just wanted to understand a little bit better because I mean if you look at it like come to more to Azmarda really speaking, but even for Sanzyme right like if you get to even a 35% to 40% sort of EBITDA margin you are still looking at about 60 Crores versus your amortization itself will be 28 Crores to 29 Crores, your ROCE was around 5% if I look at the other way I mean I take into an account the fact that the other income is going down you essentially have no EPS accretion and that is for Sanzyme and at least for Sanzyme I can say that you can grow in the case of Azmarda we are looking at 50% to 75% price erosion so even if you make up with volume I mean you are essentially looking at stagnant sales even if the profitability comes to 35% to 40%, so just trying to understand like what is your thinking here and because I mean even to get to a 15% ROCE it may take you four, five years for Sanzyme and Azmarda might take even longer?

Lakshay Kataria: I think if you really look at what we are trying to do till about last year 50 Crores to 60 Crores of a profit used to come out of regime right and I think that piece itself has its own challenges with the bottom we have seen in the last couple of quarters and with various treasury is struggling to even ensure a good rate of return, so what are we doing is the strategy, we do not believe that is long-term value creation for the shareholders what we are trying to create is more sustained businesses with the same cash which can churn out much better cash, much better return, much better visibility, and sustainability. To your question on Sanzyme, I think we try to address this during the investor conference, suppose we are making say 50 Crores to 60 Crores today with 600 Crores sort of acquisition so three or four years down the line if this business starts making 100 Crores we are already making 15% to 16% , treasuries are not going to give you 15% to 16% even three years down the line and what you created strategically is basically a very strong India business, which is where you are seeing now a lot of these happening in the Indian market, so for us it creates one or two more big brands in the 300 create space in provided market, which is growing at a very good phase, so I think in our view this cash could have actually much better utilized in strategic acquisition done earning treasury, amortization at the end of the day is accounting I mean finally it is all about cash, if you can generate a cash flow 100 Crores to 120 Crores three, four years down the line by investing 600 Crores I think it is a good return to look at, that is how we look at it.

Nikhil Chopra: From my perspective if we look at the opportunity which is there obviously it is a challenge in terms of what we have taken as a task when you look at, from opportunity perspective the number of patients are suffering and if you do some fundamental good work to influence overall on the ecosystem in the world of heart failure in next six to eight months your brand value will give you better benefits than the LOE expires that is



the way we see, obviously the price point will come down, but the gross margins will go up and as what Kunal shared I think the big players, the big brands obviously the volumes go up by two and half to three times that is what we see, any positions you in a different category and different lead what I spoke to you last Sunday with could meet 70 top cardiologist, diabetologist and nephrologists of the country they would have never come to a J.B. meeting and it is not only that you are talking about heart failure, you are talking about the presence that you have got in the world of hypertension, so there are benefits once you start getting close to the specialists then it is a journey that is what we see, but we conceptually want to look at how do we improve our contribution overall for the business particularly in chronic therapy and this is the path that we have taken.

Jason D'Souza: Thanks, Sonal. We will just take a question online and then we will come back to you Anubhav and Charulatha, we will just take an online question, go ahead, Diksha.

Moderator: We will take the next online question from line of Neelam Punjabi from Perpetuity. Please go ahead.

Neelam Punjabi: Thanks for taking my question. First of all many congratulations to the team for a good financial year and many congratulations for the new brands for the company. My first question is towards your inorganic strategy. So a couple of months back they were just media article that J.B. is among the final contenders to acquire the Chennai based Curatio Healthcare for about 2500 Crores, so my question is, are we looking at further such big ticket size acquisitions?

Nikhil Chopra: First of all let me talk about Curatio. It is no, no that we are not into the lead of Curatio. See from a perspective of strategy from an inorganic point of view it can be a mix of brands, it can be a small size company, it can be a big asset, but that has to be really synergistic where we can rise synergies, it has to be EBITDA accretive that is what we see and it needs to be a strategic fit that we from a J.B. perspective that is what we see, so there are assets which I will not deny that we are evaluating, but we will be selective in the approach, we do not want to unnecessarily put the stress on the balance sheet, but equally we do not want to miss the opportunity which is lying on the table, so that is what we will do I think somebody had asked question in terms of what are we looking at inorganic opportunity outside India, we may look at buying some of the dossiers, which are available from some of the big multinational companies if they are available and they can add value to some of the geographies where we are present, so this is what we can comment on inorganic opportunity, I think the investor community is more interested in knowing what is happening in the world of inorganic, but at least from a perspective of what we are trying to do build the organization okay inorganic will play its own role, but organically also I think what we want to do and want to grow the company and look at in terms of how at least we can gain ranks, new products, which brands that we have created that also is a sizable opportunity that we see going ahead.



Jason D'Souza: Any last question Neelam before we come to the Charulatha G, can someone handover the mike.

Neelam Punjabi: Yes, just one more question, on the Russian business given the current geopolitical tensions that are going on, how is the business progressing right now and do you look at the situation under threat or an opportunity for your Russian business?

Kunal Khanna: See clearly demand standpoint, the demand has been steady for us, the good thing is over the last two, three months since the war confrontation issues started at least our receivables have still shown progressive traction, so there is no real risk and we are also adequately hedged, having said all this we will of course remain guarded with our position from Russia CIS standpoint. From a mid and long term perspective we do see that there is an opportunity, but still too early to comment on that because how things will kind of change course no one can really predict, so overall it is a much more guarded approach for us, demand steady receivables adequately showing good traction and adequately hedged that is all what we want to comment right now.

Jason D'Souza: Thanks, Neelam. Charulatha G and then Anubhav, any question that you have.

Charulatha G: I have two questions, one where do you see CMO five years from now in terms of contribution to revenues and secondly in the capex that has been spent in FY2022, what business would it go into?

Lakshay Kataria: Sorry, could you just repeat the second question?

Kunal Khanna: FY2022 capex is allocated towards which business segment is that the question know, it is outside the M&A inorganic, we have kind of largely spent on maintenance capex right so not the kind of heavily skewed towards any particular business segment on the same.

Nikhil Chopra: Already I have spoken Charulatha in terms of we see huge opportunity what we are trying to do in that world, it is sweet spot for us from a contribution perspective obviously it will contribute 15% to 20% in three to five year which would contribute around 15% to 20% because that is the task we have taken and close to \$30 million business we are looking at how can we double and triple that business with all the right capabilities and capacities that we have got.

Jason D'Souza: Anubhav you question, I think the mike is behind you.

Anubhav: Just the clarity on the margin guidance that you talked about next year, so if you take out Azmarda how you look at margin because Azmarda is clearly margin diluted, but excluding that how you are seeing it?



Lakshay Kataria: It will be very difficult to give you exact number, but I think Azmarda is not so sort of dilutive like Kunal said in an overall scheme of things no change. There will be a marginal dilution.

Anubhav: I am talking about the EBITDA margin.

Lakshay Kataria: Yes, I am talking about the EBITDA margin, it will not significant dilute the overall operations, but on standalone obviously will be EBITDA dilutive.

Jason D'Souza: No, I think the question is if you exclude Azmarda sales he is asking what would it be the amount?

Nikhil Chopra: That is what we are giving the range of 24% to 26%.

Anubhav: See, I am trying to understand this, if you look at quarter four you already did 26% margin right and you have a very good price increase which is going to happen next year in India business, right, so what get worse for you that margins will decline here, it should expand excluding Azmarda?

Lakshay Kataria: So, there are two things, so we reported about 25.5% underlying this quarter, there are certain seasonality's of certain businesses so for example if you look at last quarter the CMO performance has been very, very strong instead a revenue of 250 Crores in the year, 85 Crores in last quarter, so there are various things that play out and when we look for a EBITDA guidance we look at various sort of the seasonality, functionality, so 24% to 26% is the range some quarters will be at 24%, some will probably be at maybe 25% to 26%.

Nikhil Chopra: And mix of India business also we will see for six months that you are getting better prescriptions and demand for Rantac and Metrogyl, your Sporlac as a franchise is more use in summer season, but eventually in second part of the year where it will go some more soft, you will start getting better demand from CMO business so that is why we have been guiding, it will range between 24% to 26%, some quarter you will see 26%, some quarter you will close to 24% to 25%.

Anubhav: How do you see the cost strengths on here are you building in any spike in any of the cost elements from here?

Lakshay Kataria: Cost elements, yes, we have seen headwinds, I think our operations team have done a good job of hedging against a lot of it through strategic sourcing, long-term contracts, but the other is reasonable amount of inflation on that, so are we move forward some more impact will come in quarter-on-quarter which like you said rightly we try an offset through pricing and from the other initiatives.



- Jason D'Souza:** Anymore questions, Anubhav, we will move to Nikhil.
- Anubhav:** Yes, I am just little surprised because I am expecting India business will at least see a price increase on an average of more than 8% at least should be more than that and the cost increase has to be really material because even adjusting for a normal CMO business you would have done...?
- Lakshay Kataria:** So, let me explain how this pans out in two or three ways, one from a cost perspective because we are done a lot of strategic sourcing and long-term contracts, we have been able to delay some of the cost increases in Q3 and Q4 last year, that is why you saw 25.5% to 26% margin, but some stage those materials are going to get over and you will have to pay for the revised cost, second on the manpower front, you will see that inflation kicking it, so while you are counting the price increases all the inflation on your travel cost, marketing cost are now at pre-COVID level, so those things also will start playing up in the P&L so that is why we are driving on a range of 24% to 26%.
- Jason D'Souza:** Thanks, Nikhil go ahead. You just hand over the mike, Anubhav.
- Nikhil:** My question is on the acute part of the portfolio, the company has two very strong brands, but we do not hear much from you on plans to expand the acute business, so any particular reason why despite having two key brands, we are not looking to add much on the portfolio apart from respiratory, I mean GI itself is a pretty huge market opportunity why is not J.B. trying to target that much?
- Nikhil Chopra:** What I showed in my slide, we are the only company who have got into the approval from DCGI, which is a combination of Metazol plus Metrogyl that would be a big brand, we have launched a combination of Rabeprazole and Domperidone, we have got Rantac RD so there are products and there are products in our kitty where we see we can double the sale, there are lifecycle management that we are doing for our products, which are a combination of in the world of wound infections that is what we are trying to do, so it is not yet for the sake of launching you launch products, there are enough products which we think that you can double the sale in our acute range obviously there were some products which we have launched in the world of pediatrics which is more in the world of acute, it is not only launched chronic products there is a mix of portfolio which we have got where we see huge opportunity going ahead and more so it is seasonal we have to talk about so that is where we stand, we have got lifecycle management in the world Rantac we have got, we have got Metrogyl O that is the product we have launched, we are now getting new products in the world of probiotics that I spoke about Sporlac, Sporlac is the product that we have got, we are getting two different versions of Sporlac formulations in the form of sachets, in the form of tablets so there will be acute product launch which will continue to happen.



Nikhil: Exhaust line portfolio, I do not remember the exact market share that we do have in GI as of today, can we expect maybe a couple of percentage points or for some basis points of market share improvement over the next three to five years?

Nikhil Chopra: See, it will, overall if you look at the way acute portfolio behaves in India, we are not big player in the world of antibiotics that is where we have got Metrogyl, but that is obviously the values are not that high, and you see a use a lot of fluctuation in terms of the way acute market behaves in India, our market share is close to 50%, our contribution within the business is close to 50% and if you get a good season you get a good demand of Metrogyl, you get a good demand of Rantac obviously the overall contribution will go up because in all these brands which I have been talking we are dominant presence in terms of market share, so eventually if there is a good market demand your contribution and your market share is only going to go up.

Nikhil: In the 24% to 26% and margin guidance you talked about that raw material front you talked about that some cost might go up, but what are you budgeting on some of the other cost, wealth it is power or packaging or freight, does 24% to 26% considered cost which are they are standing today or the packing some bit of decline or some bit of increase in the coming months?

Lakshay Kataria: We are largely on most of the cost assuming standstill as of today what we are seeing in the month of March, April, May that is what we are assuming, manpower obviously will escalate with annual increments, etc., that come in during April cycle.

Nikhil: So, if power and fuel were o fall let us say in coming months then that would be margin accretive to your business.

Lakshay Kataria: Yes.

Jason D'Souza: Thanks, Nikhil. Sujith we will just take the question. There is an online audience and then you all can definitely meet the entire management, we will just go to the online audience and then we will come back out here, so ahead Diksha, we will just take one last question from the online audience.

Moderator: We have the next online question from the line of Jagat Sethia from iThought PMS. Please go ahead, Sir.

Jagat Sethia: Just one question, about our Cilacar portfolio. Do we expect that this portfolio can fall under pricing regulation in the list of NLEM?

Nikhil Chopra: See, we cannot get into any speculation and what I have shared earlier I think I do not know whether heard that, I am a big fan of volume growth, so things which are beyond



our control we cannot speculate, which are within our control in terms of what we can do with the brands that we have we will do the right justice so whatever price controls come, whatever price increases come, we will take it as is because we want to be rightly compliant, but enough opportunity lies when you talk off what we can do in the world of hypertension, one in four patients is not knowing that the person is suffering from hypertension, huge opportunity in a country like India where if you do the right things, if you build the right ecosystem, if you conceptually look at targeting the right SKU within Cilacar to the right specialty in the right indication, sky is the limit.

- Jason D'Souza:** Thanks, Surjit go ahead.
- Surjit:** Sujit from BOB Capital. I have three questions, what percentage of domestic revenue belongs to NPP portfolio?
- Nikhil Chopra:** 25% to 30%.
- Surjit:** Second thing is what percentage of your COGS belongs to your benzene based product which might be pretty much linked with crude based?
- Nikhil Chopra:** I did not get the question.
- Surjit:** Benzene based.
- Nikhil Chopra:** Benzene based?
- Surjit:** Yes.
- Nikhil Chopra:** What is there to do with COGS?
- Surjit:** Because if that be the case then your cost of production will go up because it is directly linked with the crude?
- Nikhil Chopra:** We cannot comment about exact number from benzene please.
- Surjit:** You have mentioned the benzene based product you have in your presentation that is why?
- Kunal Khanna:** I think off hand cannot comment on the exact COGs proportion is what we are saying, it is not going to significantly.
- Surjit:** Last question, given your commentary in US market it looks like you are more interested about faster access to the emerging market because there are many emerging market has



given you free access if you have the product approved already by USFDA, do you have any plan going forward through the process?

Kunal Khanna: We are certainly following that strategy wherever you have ANDA approval you try to leverage that across markets, some of the markets like Middle East pockets and Asia PAC give you faster approval. We have already done that for some of our existing products, but this is not a strategy to get faster approval in RoW, we have a different set of portfolio for RoW as well, which is part of our developing pipeline, we cannot center a US strategy based on you get faster access to RoW, you have those products, how you can maximize and leverage that is the second question right, but it is not driven by the RoW strategy.

Surjit: Thank you and all the best.

Jason D'Souza: Thanks and we will take one last question because anyway the management is there in, but there is no further questions, I can hand it over to Nikhil for the closing remarks on the vote of thanks, because there is a huge online audience also out there who is listening to us.

Nikhil Chopra: I could not connect to online audience, but at least they would have seen the presentation and I think they would have at least seen in terms of where we were, where we are and where we want to be and also it was a privilege for all of you that you people have taken your precious time and come here and it was opportunity for all of us to talk about our new identity, which will continue to build in the coming time. Thank you all for coming and thank you for patient hearing. We will continue to engage with you periodically. Thank you.

Jason D'Souza: Thank you everyone and please join us for some snacks. Thank you.
