"Alembic Pharmaceuticals Limited

Q1 FY27 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY27 Earnings Conference Call of Alembic Pharmaceuticals Limited. As a reminder, this conference call is only for analysts and institutional investors.

All participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Isha Lamba, Head, Investor Relations and Corporate Development. Thank you, and over to you, ma'am.

Isha Lamba: Thank you. Good evening, everyone. On behalf of the management of Alembic Pharmaceuticals, I welcome you to this earnings conference call for the quarter ended 30th June 2026. Present here with me are Mr. Pranav Amin, Managing Director and Mr. G. Krishnan, CFO. A few other members of the management have also joined the call. I now hand the conference over to Mr. Pranav Amin. Thank you, and over to you, sir.

Pranav Amin: Thank you, Isha. Good evening, everyone, and thank you for joining us to discuss Alembic Pharmaceuticals performance for Q1 FY27. I will give you a brief perspective of the quarter and the performance across our businesses, key strategic developments and our outlook for the balance of the year. Then Krishnan, our CFO, will take you through the financial performance in greater detail. Q1 FY27 has been a strong start to the year with broad-based growth across all the businesses and continued execution on the strategic priorities that we outlined at the beginning of the year.

The external environment continues to remain competitive with pricing pressure, regulatory expectations and geopolitical uncertainties. But the quarter reinforces our belief that execution quality, portfolio choices, manufacturing capabilities and launch discipline are increasingly becoming the key differentiators. During the quarter, consolidated revenue grew by 26% year-on-year supported by growth across all our major businesses.

India branded business grew 7%. International Generics grew 37% and the API business grew 33%. Starting with the India Branded business, growth was supported by continued strengthening of focus brands, Specialty Therapies and the Animal Health division.

Animal Health delivered a particularly strong quarter with 24% growth, while key therapies such as Gynecology, Gastrology and Ophthalmology continued to perform well. We are also seeing encouraging trends in field productivity and operating metrics. Our strategic priorities for India business is anchored on building a robust chronic portfolio, generating high-quality prescriptions, deepening engagement with specialty physicians and driving sharper, more disciplined commercial execution across the field force.

With the appointment of Mr. Ramesh Juneja as Sales and Marketing Head for Human Health business, we have strengthened the execution leadership.

These initiatives are likely to position the India Branded business to accelerate towards market level growth over the coming quarters. Moving on to the international business. The standout feature for the quarter was the continued strength of the U.S. Generics business. U.S. revenues grew 49% year-on-year, supported by volume growth, new launches, especially Bosutinib and improving utilization of our manufacturing assets. Pricing pressure remains in the environment, but growth during the quarter was predominantly volume driven.

During the quarter, we launched 7 products, filed 4 ANDA's and received 10 approvals, further strengthening the launch platform for future growth. So let me talk about the Branded Specialty business. The first 3 months were more of a soft launch, and we are encouraged -- this is the branded specialty business in the U.S. I'm talking about. The first 3 months were a soft launch, and we are encouraged by the good reception to both the product and its messaging. In parallel, we are adding new products to strengthen our women's health franchise.

As the U.S. Branded Specialty business scales up over the next few quarters, we will see a positive contribution to profit, which should consequently drive a broader enhancement in consolidated margins. Coming to the ex-U.S. markets, they performed very well, supported by growth across markets. The API business also delivered a strong volume-led growth despite ongoing pressure in the market. Beyond the quarterly performance, we continued investing behind the long-term growth drivers of the company.

We advanced our pipeline through additional filings and approvals, progressed our peptide development program, expanded partnership-led opportunities and continued building the US branded business platform. We also continued investments in manufacturing capabilities, debottlenecking initiatives and capacity enhancement programs that will support future growth and improve operating leverage. Turning to the outlook. The first quarter has provided us with greater visibility into the trajectory of the business, particularly the US Generics segment.

At the beginning of the year, we had indicated that the US Generics could grow in the low to mid-teens based on the performance and the trends we're seeing in Q1, the launch outlook and current volume trends, we now expect the US business to grow mid to high teens in the year, subject to normal market conditions and continued execution.

Growth guidance for the other businesses remains as indicated earlier. As a result, we believe the overall growth outlook for the company can improve from the low double-digit range that we had discussed earlier to closer to the mid-teen range for FY27. Importantly, this improved outlook is not being driven by any change in our investment agenda.

We will continue investing behind R&D, the US branded platform, manufacturing capabilities and future growth opportunities while maintaining discipline on capital allocation and profitability. Overall, the quarter reinforces our confidence in the business, the quality of our growth platform and our ability to deliver strong growth while continuing to invest for the future. With that, let me hand over to our CFO, Krishnan.

G. Krishnan: Thank you, Pranav. Good evening, everyone. And before I begin, I would like to mention that during this call, we may make certain forward-looking statements, and these statements are based on management's current expectations and are subject to risks and uncertainties that may cause the actual results to differ materially.

And with that, let me take you through the financial performance for the quarter. We had a strong quarter from both growth and profitability perspective. Revenue grew at 26% year-on-year to INR2,150 crores, reflecting broad-based growth across businesses and continued momentum across the portfolio.

Importantly, profitability also improved despite continued investment behind the future growth platforms. Reported EBITDA grew at 21% year-on-year to INR348 crores with EBITDA margin at 16%. The performance reflects higher volumes, contribution from new launches and better utilization of our manufacturing network, while also absorbing planned investments in R&D and the US branded platform.

As planned, we continue to invest behind future growth opportunities and our R&D expenditure during the quarter was at INR186 crores, representing about 9% of revenue, driven by peptide development activities, exhibit batches and higher regulatory filings and portfolio development initiatives.

These investments are aligned with our strategy of strengthening the pipeline and expanding our participation in complex and differentiated opportunities. We also have continued investing in building the US branded platform. While these investments have a near-term impact on profitability, they remain strategic in nature and are directed towards expanding market access, strengthening commercial capabilities and building a scalable specialty franchise in the US.

Profit before tax grew at 17% year-on-year to INR223 crores, reflecting the strength of the underlying operating performance and better operating leverage across the business. At PAT level, the quarter reflected a higher effective tax rate of about 22% compared with around 19% in the corresponding quarter previous year.

As mentioned in our previous call, we migrated to the new tax regime and consequently, profit after tax grew at 12% year-on-year to INR173 crores, underlining the resilience of the business performance. To summarize, the quarter demonstrates three things. First, growth remains strong and broad-based with revenue growth of 26%. Second, the business continues to deliver resilient profitability, factoring strategic investments as reflected in 21% EBITDA growth, 17% profit before tax growth and 12% profit after tax growth.

Third, we continue to invest meaningfully in R&D, manufacturing capabilities and US branded platform, consistent with our growth strategy. The improved FY27 outlook that Pranav discussed that is closer to the mid-teen growth is supported by stronger execution and operating performance, while our investment priorities and long-term strategy remain on track. With that, we can now open the floor for questions and answers.

Moderator: Thank you sir. We will now begin the question-and-answer session. The first question comes from the line of Damayanti Kerai with HSBC. Please go ahead.

Damayanti Kerai: Hi. Thank you for the opportunity and congrats for a very good set of numbers. My first question is on the US business. Pranav, you mentioned volume expansion as well as opportunities like Bosutinib were the key drivers for the quarter. So just wanted to confirm, you have 180 day marketing exclusivity on two strength of Bosutinib, right? What has helped the Q1 number?

Pranav Amin: Yes, that is correct. We have the exclusivity on the 100 and 500mg.

Damayanti Kerai: Okay. And apart from that, like any other meaningful launches which were added to US? Because your, I think, US run rate for launches have picked up in first quarter.

Pranav Amin: Yes. So let's take two parts of it, right? I think ex of Bosutinib, also our business has grown over 20% in the US, closer to 25% that we've grown. That is predominantly due to the new launches. As you know, with Alembic, what we do is we gradually pick up share. So new launches, when I say pick up share, is what we would have launched in Q4 as well as Q1. We had about six to seven launches in Q1 and some in Q4. So I think both of those put together have also added a little more momentum to the US sales going forward.

Damayanti Kerai: Okay. And as you revised up the outlook for US sales in FY25, we can assume new launch momentum should continue in the coming quarters as well?

Pranav Amin: Yes. I think for the rest of the year, we should be launching another 15-odd products.

Damayanti Kerai: That's helpful. Then my second question is your investment towards the US branded portfolio where you have added another product. So what kind of investment you foresee for your efforts to really scale up this business?

And you mentioned this will be eventually contributing positively to the profitability part. So in your initial experience with Pivya, what kind of time line we can assume when these products will start contributing positively to EBITDA? Like what could be the gestation period before we see benefits flowing in?

Pranav Amin: Yes. So as I mentioned, it's a soft launch. And the other two products are much smaller and we've just got into them. But Pivya also has been a soft launch. I think we will gradually start seeing a trend towards the second half of the -- towards the end of the year. I expect that this will start contributing positively next financial year onwards. As we move forward quarter-on-quarter, we will gradually see a reduction in the drag that this business is causing us. And my goal is that next year onwards, we should start seeing a positive contribution.

Damayanti Kerai: Okay. And in terms of investment, if you can call out any amount or where you have invested basically the SG&A team or you need to invest in building the marketing platforms, etcetera?

Pranav Amin: Yes. So in the investment is there's no hardware investment at all. The only investment that we have is the field force and the marketing expenses that we have. The product comes from a CMO. So there's no manufacturing, there's no facility. It's only a pure-play branding exercise. And the expense that you see is only the marketing and branding and promotion costs.

Damayanti Kerai: Okay. So this cost would trend in line with how the top line picks up, right, and accordingly.

Pranav Amin: Yes. So I think it will be the -- the revenue will scale up. It won't be linear, but it will be more like a J curve. So I think initially, we will have investments for the first quarter. I think we've seen one full quarter where we've been investing. Second quarter also, we'll invest. I think gradually, we'll see the sales pick up towards the end of the year. And that's why I'm saying that we should hopefully start getting to breakeven by the end of -- as a trend to the end of this year, and we'll see positive contribution next year.

Damayanti Kerai: And my last question is, as you revised up your FY27 top line numbers, what -- how should we look at the EBITDA margin trajectory while we continue?

Pranav Amin: Yes. Okay. So Krishnan, would you like to take the EBITDA question?

G. Krishnan: Yes. Thanks. So Damayanti, the EBITDA margin will broadly reflect the operating leverage that we have seen in the first quarter. And -- if I look at the underlying business ex-U.S. branded business, we have seen operating leverage playing out. And like we guided in the first Q4 results last year when we spoke in May, we said that there will be good operating leverage that will play out on the core business, which will partially get offset by the U.S. branded, and we hold on to that view at this point of time.

So we should see a similar trajectory of operating margin getting maintained at an overall level as we see operating leverage playing out. And U.S. branded business, like Pranav mentioned, it should scale up as we progress in the subsequent quarters, which should bring back the margin -- build up the margin profile.

Damayanti Kerai: Okay. But it's safer to assume margin should be in the high teens, right, close to high teens?

Pranav Amin: Yes.

Damayanti Kerai: Okay. Thank you. Thank you very much.

Moderator: Thank you. The next question comes from the line of Chirag with DSP Mutual Funds. Please go ahead.

Chirag: Yes sir, thank you for the opportunity. Multiple small questions sir. Is the Pivya cost in the base in the first quarter of '27, and we should now see flattening or similar levels going forward? How are we thinking?

Pranav Amin: Krishnan, do you want to take that?

G. Krishnan: Yes, I'll take that. So yes, Q1 was the first full quarter of U.S. branded business launch. And we should see the margin profile get better from here. And for the full year, if I have to remind in the previous call, we guided about 150 basis points of dilution in the margin for the full year, and we hold on to that view at this point of time. And obviously, in the ramp-up phase, you will have the first few quarters of higher impact. And then as the sales picks up, it should moderate, the margin impact should moderate. So we still hold on to that view.

Chirag: So in Q1, the impact on margins has been higher than this 150 bps is what you're trying to allude to?

G. Krishnan: Yes.

Chirag: Understood, understood. Fair point. And on the base business in the U.S., you talked about 25-plus percent kind of growth in the U.S. business ex-Bosutinib. This implies that the base business is now upwards of $75 million, $76 million a quarter. Is this the new base this versus, let's say, $60 million, $65 million that we've been seeing in the past few quarters? Is this the new normal, new base that we should kind of think about?

Pranav Amin: So Chirag, it's -- I would like it to be the new normal. But I think as you see, we have to balance that out with the erosion that we see and if we may lose some share. But I'm confident that the momentum that we have going forward, we should be able to continue some of it. Let's see how much price erosion we see for the next few quarters. But at least for the next quarter or 2, I see that this trend should continue.

Chirag: Understood. Fair point. And on Bosutinib, have you seen full quarter sales impact come through in the first quarter or...

Pranav Amin: No, I think -- so one thing about Bosutinib is the volumes of Bosutinib are quite small. It's because the indication is a small indication, while pricing is good. But we saw in the quarter only one month of sales. It was launched only in June. So you only have one month of sales.

Chirag: Understood. And how are you thinking about sustainability of this revenue Pranav, going forward beyond the exclusivity period?

Pranav Amin: I think it's tough to say. I don't know that when they will -- because it's such a low-volume product, I don't -- I can't really foresee what's going to happen after a few months. I know this exclusivity is there till November. So you'll see Q2 and part of Q3, you will hopefully have some sales from Bosutinib. Over and above that, I think if there is competition, it will pretty much be -- it will be quite drastic because the volumes are very small.

Chirag: But any sense on the competition, incremental competition that we see?

Pranav Amin: As of now, no, I haven't seen. I think the other incumbent who's got the other strength that may come in and we may get for the strength that we don't have. But I think that's what may happen. But as of now, I'm not seeing anybody else in the market so far.

Chirag: For some time to come, this can be a 2-player market is how you're thinking about it?

Pranav Amin: Until November is what I know for sure. I really can't guide above beyond that.

Chirag: Understood. Fair point. The other bit is on the gross margins with having Bosutinib, gross margins are flattish quarter-on-quarter at least. Can you give us a sense, and this is with the new currency rate, etcetera. So just what is happening over here? I understand that there's a Pivya cost as well in this one. But I was looking at the gross margin more so, not so much at the.

G. Krishnan: Can I take that Pranav?

Pranav Amin: Yes, please, please.

G. Krishnan: So see, gross margins quarter-on-quarter was pretty much similar. And if you remember, we had a guidance of about 70% to 75% range for gross margins, and it sits well within that. And there have been a couple of factors which has influenced the gross margin. One is, of course, with a bit of the Middle East issues going on, we had seen solvent prices going up. That has had a bit of impact.

And second is, of course, the product mix itself will -- has played a part. And third is we had taken a preventive debottlenecking maintenance upgrade in one of our facilities, especially the Ophthaline.

And that has now expanded the capacity without any incremental capex investment. And that shutdown was taken in the first quarter, which has resulted in a bit of under-absorption in the cost. So these are the 2, 3 factors that, where you would see the gross margins a bit diluted. But otherwise, it's still within the range that we have guided earlier, and we are comfortable with that.

Chirag: Understood. Can I ask more questions? I have a few.

G. Krishnan: Sure.

Pranav Amin: Yes, sure.

Chirag: Sure. So animal business now is bigger than acute. This has grown very well for us. How long can we keep continuing to grow in this 15%, 20% zone? And incrementally, this should help report overall better India business as the acute becomes smaller and smaller. Just how are you thinking about this piece? I know you've guided towards better performance going forward, but just on the animal piece.

Pranav Amin: Krishnan, you will take that?

G. Krishnan: Yes, yes. So just to correct, Animal Health is about 22% of our overall revenue in the India business. And the acute is about 37% right. So it's the other way but yes, the underlying -- so there has been good growth in the animal health, we continue to grow at about 20-plus percent.

And we see that it's a combination of 2, 3 factors, again, expansion within the existing portfolio that we have got in the Animal Health, 'which is around farm animals and poultry, and we see that has continuing the momentum, along with the field force driving better volumes, better productivity, focus on operational efficiency measures that's continuing to help us build the momentum in Animal Health.

Chirag: Understood. Yes, yes helpful. Just a last bit on the non-U.S. global exports piece. For the past few quarters, we've been in this $40 million kind of range past couple of quarters actually.

Pranav Amin: Yes.

Chirag: Prior to that, we were in this $45 million zone. So just your sense of -- is this like a linear thing? How are you thinking about?

Pranav Amin: So the ex-U.S. business has been a strong business for us, if you see over the last 5 years. And I think just maybe there may be some quarterly-to-quarterly variance because we are -- this is mainly a B2B business, right? And so there may be some quarterly-to-quarterly variance in terms of supplies. But at the end of the year, we stick to the guidance. I think about 15-odd percent or so of what I've guided for that the business will grow, and I think we're quite confident about that.

Chirag: This is in USD terms, Pranav?

Pranav Amin: This is in INR terms.

Chirag: Okay. Fair. Thank you, sir. I'm done.

Pranav Amin: Thanks.

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

Rahul Jeewani: Yes, sir. Thanks for taking my question. Sir, on the India business, you pointed to some management changes which you have implemented. So while on the Animal Health side, we continue to do well. When do you see our growth picking up on the human formulations business in India?

Pranav Amin: So, it's a good question, Rahul. I think, yes, 2 separate things. So the animal business we've left it as is, I think that is going on. On the human health side, we've got Ramesh Juneja, who's joined us recently and who is working at it. I think it will take a couple of quarters because it's a work in progress.

I think we're going grassroots down to each territory, the nonperforming territories, what is happening with the new launches. So I think let's wait for a quarter or 2 to see start seeing. But I think we will start seeing some positive trends in another quarter or 2.

Rahul Jeewani: Sure, sir. And within the acute segment, have we started seeing some sort of growth pickup for our acute portfolio? And whatever happened with respect to Azithral during COVID, post-COVID, et cetera, is that largely in the base now as far as the acute segment is concerned?

Pranav Amin: Yes, Krishnan, do you want to take that?

G. Krishnan: Yes. Rahul, yes, we are seeing that trajectory improving, especially on Azithral and also in the overall portfolio of acute around cough and cold as well as we are seeing that traction building up.

Rahul Jeewani: Okay, sir. Sure. And coming back to margins for FY27, at one point in time, you indicated that the operating leverage on the base business would get offset by the investments on the US branded side. And at another point in call, you referred to high-teens margins as well. So I'm a bit confused in terms of what's margin guidance for FY27?

Pranav Amin: Sure. So see, the margin guidance is intact in the sense that let me reiterate the guidance again. So we did about 16% margins in FY26, and we believe that the margins -- the underlying core margins will improve. And my comment was about the core margin improving to high-teens and which will partially get offset by the margin dilution from US branded business, which we said will be about 150 basis points, right? So that remains intact.

And we are seeing the operating leverage playing out in the first quarter as well on the core business, and which we believe will continue to happen in the rest of the year -- rest of the quarters as well as we see better utilization and good volume-driven growth across US and ex-US markets. Does that clarify, Rahul?

Rahul Jeewani: Sure, sir. So, versus FY26 levels would we stay largely flat on a full year basis. And if that is the case, then ideally this year, we are also benefiting from the exclusivity on Bosutinib, while the operating leverage on the base facilities was anyway is playing out. So are you talking about reported margins being flat in FY27? And if that is the case, then where, as I said, ideally Bosutinib should have helped us to significantly improve margins this year?

G. Krishnan: Yes. And we are also seeing the gross margins a bit diluted in the first half relative to the last year, right? So overall, the margin profile, you're right, in the sense that it should improve slightly better than the last year. But we are trying to see how the US branded business will play out in the rest of the quarters as we see the ramp-up, right?

So it is about whether we're breaking even in quarter 4 or the next year first quarter, and it depends on where we land, whether it be better than the previous year or be flattish. It maybe a few percentage points here and there and a few quarters here or there.

Rahul Jeewani: Sure, sir. And the last...

G. Krishnan: Directionally, we are in the trajectory of better operating leverage, yes. So that's clearly visible for us.

Rahul Jeewani: Sure, sir. And on the branded business, while we obviously are scaling up Pivya. Apart from Pivya also, are we looking at any other opportunities for the US branded portfolio?

Pranav Amin: Yes. So we are constantly searching for them. There's 2 other smaller ones, which we have already added. They also go with the same therapy in terms of doctors who are treating UTIs. So that is something that we're going to add. We just recently licensed, so that will also go along with that. Scouting for new opportunities as well. But of course, right now, we want to take these 3 products and get them off the ground.

Rahul Jeewani: Sure, Pranav. So these would be, let's say, competing in the same women's UTI market in US like Pivya?

Pranav Amin: No, its not competing. They would be complementing Pivya.

Rahul Jeewani: Yes. That's what we meant. Thank you. That's it from my side.

Moderator: Thank you. The next question comes from the line of Rashmi Shetty with Dolat Capital. Please go ahead.

Rashmi Shetty: Yes, thanks for the opportunity. Sir, what will be the outlook on the API segment?

Pranav Amin: Yes. So the API segment has been performing well for us. I think at the beginning of the year, we had given a guidance that it will grow about 10% plus/minus. Seeing the trend, I think Q1 has been quite healthy. Moving forward, I think at the end of the year, we will be above that 10% level, around the 10% level that we had mentioned. So I think we'll continue growing in the next couple of quarters as well.

Rashmi Shetty: Okay. And in your India business, excluding the vet business, we are a bit underperforming the market. Like you mentioned that there were some changes in the management, and it will take some time to get back on track. So for full year, what will be the guidance on the specialty and the acute segment or as the whole domestic business piece, if you can explain that?

Pranav Amin: So let me just -- I'll just give a brief and then I'll get Krishnan on. I think so, in the India business, as we said, yes, animals is doing well. So let's keep that aside. In the Human Health side, we've got a new leader, Ramesh Juneja, who is heading the team now. But within that segment, if you see there are some which are still doing quite well. I think gastroenterology, ophthalmics and cardio that are doing well for us.

I think those are growing in double digits anyway. It's few of the acute and some of the other divisions which are dragging the business down. So I think our goal is to rectify that and see how we're going and get it up. And I think as I said earlier, to a question earlier that, we should start seeing some positive trend in the next couple of quarters. Krishnan, do you want to take it?

G. Krishnan: Yes. So in terms of guidance for the full year, for the whole of India business, what we said is, we'll be aligned close to the market growth and maybe a few percentages here and there. But directionally, we should be more aligned to the market growth.

Rashmi Shetty: So you mean to say it should be in the low double-digit sort of growth this year?

G. Krishnan: So, it should be in the range of high single digit, but we will bridge the gap. Last year, the gap was much visible around the market growth versus what we had seen. And we believe that this year, we should be able to bridge the gap and be closely aligned to the market.

Rashmi Shetty: Okay. And again, on this US business, while this year, what you call the contribution of the Bosutinib will be helping to deliver a higher growth. But in FY28, when the CGT will not be there and there will be a price erosion also in the existing portfolio, do you see that we'll still be able to do a high single-digit growth led by any new launches? Or you feel that probably it would be more or less flattish over FY27?

Pranav Amin: So I think the main thing for the US business to grow, you have to have meaningful launches coming up. We believe we have a decent pipeline to continue with that. I think even ex-Bosutinib, as I mentioned, actually at the start of the year, I had mentioned that the US will grow by about 10% to 15%. We've just changed the guidance. It will go higher because of Bosutinib and the momentum we're seeing in the new launches.

For the second half of the year, we are -- for the next 9 months of the year, we're seeing about 15 more launches that we will do. And even next year, we will see a similar number of launches. So I think the new launches will continue and that will help offset the erosion. As regards to Bosutinib, yes, it's -- I don't see that opportunity over 6 months.

But what will happen is, gradually, you will see the branded bit also starting to contribute next year onwards. So you will have the new launches as well as the branded business starting to contribute towards the growth going forward.

Rashmi Shetty: Okay. So you expect that for FY '28 over FY '27 also, there will be a growth including...

PranavAmin: I hope -- I mean that's our goal. I think we'll get a better idea in the next couple of months to see how the branded turns out.

Rashmi Shetty: Okay. The growth guidance which you are giving in the U.S. business that is in the INR terms, right?

Pranav Amin: Yes.

Rashmi Shetty: Thank you. That's it from my side.

Moderator: The next question comes from the line of Parth Sodha with Trinetra Asset Managers.

Parth Sodha: Am I audible? My question is, as we have continuously delivered heavily double-digit growth, which geographies are contributing the most today and where do you see the largest incremental opportunity over the next coming years?

PranavAmin: Okay. So the -- I'm not sure I heard all your questions, but you're talking about the ROW business. Yes, ROW business has been consistently growing for us. And we've been opening up new territories as well. I think we've opened up some Latin American territories. Moving forward, as you've seen from the releases, we're doing a JV in Saudi Arabia. We're doing in Canada. So there's a lot of other opportunities we see in the ROW business.

So I expect the ROW business over the next 3 to 4 years will continue growing well. In terms of opportunities, we're seeing it across the board. I think it really depends. I think some of them are B2B opportunities where we work with partners and some are B2C where the newer ones where we're going directly in the market.

Parth Sodha: Okay. Got it. Thank you.

Moderator: The next question comes from the line of Eshika Jain with Motilal Oswal.

Eshika Jain: If you could just quantify the U.S. sales in USD million for the quarter?

G. Krishnan: So we had reported about 49% year-on-year growth in rupee terms. And roughly, you have seen about -- see, I think directionally, we don't intend to break up the INR depreciation part because that is going to support us on the pricing, right? So it is not right for us to break it down. But purely for the purpose of giving a number, you can take out the currency impact of about 10% year-on-year, right? So the underlying constant currency growth is about 38 -- 37%, 38%.

Eshika Jain: 37%, 38%. Alright. Thank you.

G. Krishnan: But the way you should see the total reported growth because INR depreciation is going to help us in supporting the pricing.

Moderator: The next question comes from the line of Foram Parekh with Bank of Baroda Capital Markets.

Foram Parekh: My first question is on the domestic business. In our opening remarks, we mentioned that we want to focus on increasing the chronic segment. So if you can just quantify what is the current chronic segment? And where do we envisage to go -- I mean, take up this chronic segment in the next 2 to 3 years?

G. Krishnan: Yes. Can I take this, Pranav?

Pranav Amin: Yes.

G. Krishnan: So see, the specialty business is roughly about close to about 60% of our total revenue. I'm talking about quarter 1 numbers. And when you look at the breakup of this, we are very closely aligned to the market growth on Gynae, Gastro and Ophthal therapies. And the way we are looking at this in terms of driving the growth trajectory is a combination of 2, 3 aspects. First is about increasing the quality of prescriptions that we have got from the practitioners.

And that is more about how you are driving the operational execution, focusing on the initiatives around expanding the -- consolidating the prescriber base and improving the quality of prescriptions. Second is increasing the field productivity, which is again an operating lever. Essentially, the point boils down to effective operational execution across these therapy areas. with Ramesh Juneja joining in, I think we have expanded the leadership bandwidth to focus more on the execution front. Does that help.

Foram Parekh: Yes, it does help. My second question is on the EBITDA margin again. So, we said that EBITDA margin in the core business has improved to high teens, but it's been diluted by 150 bps because of the marketing in the branded business. So, can we take like 18%, 19% kind of EBITDA margin for FY28 as this operational leverage in the branded business will play out?

G. Krishnan: FY28 is -- we will guide for FY28 when we get there. But directionally, I would like to say that the operating leverage will -- in the core business will play out. And like Pranav mentioned, the US business -- US branded business is expected to scale up in the next few quarters.

And that should contribute to profit. Today, it is diluting the margins, and it should start contributing to the profit, then it should as well expand the overall margin profile, right? Exact numbers, I think we will guide when we get there.

Foram Parekh: Okay. And my third question is on the ROW side. So, we guided for 15% growth in INR terms. But historically, if we see, we have grown largely closer to 20% growth. So can we -- are we underguiding it or can we expect to surpass this 15% growth? Any outlook there?

Pranav Amin: Listen, so I think when we give a guidance, we have to give a guidance that we are 100% can achieve. So that's one thing. Number 2 is you have to understand that last year also was on a high base. So, let's see how this year goes.

Foram Parekh: Thanks. Those were my questions.

Moderator: A follow-up question from the line of Chirag with DSP Mutual Funds. Please go ahead.

Chirag: Sir, what is happening with depreciation, there is a sharp increase?

G. Krishnan: Yes. So, depreciation is actually the intangible assets that we acquired because of -- driven by the US branded business expansion, the product acquisition that we did. So that is getting amortized over the life of the asset, I think around 7 or 8 years is what we have considered.

So that's the depreciation year-on-year. It got capitalized in quarter 4, right? So, you would see the higher depreciation levels year-on-year. And of course, we've added about INR400 crores of capex in the last year. So that also will add on to the business.

Chirag: What is the absolute amount of amortization and intangible assets?

G. Krishnan: I don't have the exact number. We can touch base.

Chirag: The quarter-on-quarter -- large part of the quarter-on-quarter shift be explained by the amortization?

G. Krishnan: Not fully. We have invested in capex, right? So that also will have an implication. But yes, so around 70%, 75% of that increase would be due to intangibles.

Chirag: Understood. Thank you, sir.

Moderator: The next question comes from the line of Rashmi Shetty with Dolat Capital. Please go ahead.

Rashmi Shetty: Thanks for the opportunity again. One question on the interest cost has also gone up compared to the previous quarter. So, if you can give us the gross debt figure as on June compared to the March level? And what is the outlook for the interest cost for the remaining part of the year?

G. Krishnan: Yes. So gross debt was about -- we are at around INR1,600 crores of gross debt and 2 things have happened. So, one is we have the debt levels have a bit higher than the March numbers, it is purely towards additional receivables that has increased because of higher sales. So, it should unwind as we progress. And second is we have -- it's a combination of increase in debt, but reduction in interest rates. So that's the net impact that we are seeing in the finance cost.

Yes, to your second question about where we will -- how this will progress during the rest of the year. I think what we guided is at the beginning of the year that this working capital should get optimized as we progress. And the increase is because of higher sales and the receivables, so which should unwind as we progress during the year. And we should be in a position to reduce the debt levels by meaningful amount.

Rashmi Shetty: Sorry, sir, come again, you said that the working capital will be at the...

G. Krishnan: Working capital, the increase in debt compared to March is because of higher working capital, driven by higher receivables during the quarter that is coming from higher sales. And typically, this receivable should unwind in the next quarter and the following quarter. So, as we progress during the quarter 2 and quarter 3, we should see this debt levels moderating.

Rashmi Shetty: Okay. And by how much level, if you can quantify that?

G. Krishnan: So, we should -- at the minimum, we should go back to the March levels. And our intention is to scale it down further so that we are able to maintain it at a reasonably close to 1x of EBITDA.

Rashmi Shetty: Okay. So, sir, we should expect that the interest cost should also come down in the subsequent quarter?

G. Krishnan: Yes.

Rashmi Shetty: Okay. Alright. Thank you, sir.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Isha Lamba: Thank you, everyone, for joining. If there are any follow-on questions, please reach out to us. Thank you.

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