"Ajanta Pharma Limited Q2 FY'2026 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Ajanta Pharma Q2 FY 2026 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Yogesh Agrawal – Managing Director of Ajanta Pharma Ltd. Thank you and over to you sir.

Yogesh Agrawal: Thank you. Good afternoon and welcome to all of you. With me, I have Mr. Rajesh Agrawal – our Joint Managing Director, Mr. Arvind Agrawal – our CFO and Mr. Rajeev Agarwal – our VP, Finance and Investor Relations.

I hope the Results are already with you.

I am pleased to inform you that the Board of Directors have approved the first interim dividend of Rs. 28 per share for the face value of Rs. 2 per share, totalling to Rs. 350 crores.

We will now take you through business-wise performance for our current quarter and half year along with the comparison of previous year for the same period:

We have completed 2nd Quarter and first half of the current year on a strong note, with revenue from operations growing by 14% and margins remaining resilient despite higher expenses. We remain confident to continue this growth journey with all our business shaping up as planned. This is also reflected in our financial strength which continue to be strong with return on capital employed at 33% and return on networth reaching 25% as at end of September 2025, reaffirming our position amongst the best in the industry.

Let me now take you to the business details:

Let me first take up the International business. I will first start with the branded generic business in Asia and Africa which contributed 40% to the total revenue. Our continued investment in both people and products in these regions reflect our strategic intent to scale this business meaningfully. This expansion reinforces our position for sustained growth in current year and beyond.

Let us now first see Asia:

Ajanta's Asia business remains focused on Middle East, South-East Asia and Central Asia. In current quarter, the region delivered sales of Rs. 310 crores, up 5% from Rs. 296 crores, and in half year, the sales stood at Rs. 614 crores, up 7% from Rs. 572 crores of previous year. Few orders got pushed to the second half of the year, thus affected the growth in the first half of the year. We are confident to achieve low teens growth for the current year.

We are pleased to report the launch of three new products during the quarter, taking the total tally to 13 in the first half of the year. The new launches were mostly in chronic therapies which further strengthened our position in the high potential market.

Let us move to Africa:

Our Africa business is focused on West and East Africa. In current quarter, sales stood at Rs. 221 crores, a growth of 4% compared to Rs. 213 crores, and in the first half of the year, sales were at Rs. 449 crores, a growth of 1% compared to Rs. 443 crores in the same period last year. Africa pharma market is expected to see moderated growth in the current year, as also for Ajanta with impact of high base of previous year. However, against our guidance of mid-single-digit growth, we are now confident to achieve double-digit growth for the entire year.

Despite these short-term headwinds, we continue to strengthen our presence in the region with launch of four new products during the quarter, taking the total tally to six in the first half of the year. We remain confident in the long-term growth potential and strategic relevance of our Africa business.

Let us talk about our other two verticals of the international business now:

US Generic business contributed 26% in total revenue in the quarter. As guided, the business performance has been excellent with current quarter sales at Rs. 344 crores against Rs. 232 crores, posting an excellent growth of 48%, and in the first half of the year, sales stood at Rs. 653 crores against Rs. 460 crores, posting a growth of 42%. This growth is attributed to full benefit of five launches made in the second half of the previous year, three new launches in the first half of the current year, and gain in market share in few existing products. We remain as a preferred partner of choice for the distributors and customers due to our superior and committed execution.

Let us now see Africa Institution Business:

The contribution from anti-malarial business further went down to 2% from 3% in previous year, with a revenue of Rs. 32 crores in the current quarter and Rs. 71 crores in the first half, it is a degrowth of 17% for the half year. As we have mentioned earlier, this business remained unpredictable as it is dependent on the procurement by aid agencies, and we maintain a cautious outlook on this business segment.

Now, I invite Mr. Rajesh Agrawal – our Joint Managing Director. Thank you and over to you.

Rajesh Agrawal: Thank you and good afternoon to all of you.

I will now take you through the India business performance:

We have completed current quarter and half year on a strong note for our India business. We are already seeing the positive signs from our new initiatives taken in the previous year, which has also contributed to the growth in current year.

Coming to the performance:

We continue to outpace the Indian pharmaceutical market by 32% as per IQVIA MAT September 2025, with Ajanta delivering an impressive growth of 10% compared to IPM's 8%. We continue to exceed volume growth by 2x to IPM and new launches by 39%. This positive trend is evident across most therapeutic segments in which we operate, where our growth has consistently outpaced segment growth. We remain confident of sustaining this momentum in the coming year.

In current year, India business contributed 32% to the company's total revenue, supported by the launch of 10 new products, including one first time in the country.

During current quarter, sales stood at Rs. 432 crores compared to Rs. 386 crores in the same quarter of the previous year, registering a growth of 12%. In first half of year, sales stood at Rs. 841 crores compared to Rs. 739 crores in previous year, registering a healthy growth of 14%

Our India business also includes revenue from trade generic segment, which contributed Rs. 53 crores in Q2 against Rs. 46 crores, a growth of 14%, and in first half, Rs. 92 crores against Rs. 87 crores, a growth of 5%.

In the covered market, we are fifth largest in IPM and amongst top-10 in all our therapeutic segments as per IQVIA MAT September 2025.

Cardiology contributed 37%, followed by ophthalmology 30%, dermatology 23% and remaining 10% coming from pain in India branded sales.

The new therapies of gynecology and nephrology are taking good shape and are expected to contribute meaningfully to the revenue in the coming years.

I now invite Arvind Agrawal – CFO to take you through the financial performance. Thank you and over to you, Arvind.

Arvind Agrawal: Thank you and good afternoon to all. On this call, our discussion includes certain forward-looking statements, which are projections or estimates about future events. These estimates reflect management's current expectations about future performance of the company. These estimates involve number of risks and uncertainties that would cause our actual results to differ materially from what is expressed or implied. Ajanta does not undertake any obligation to publicly update any forward-looking statement, whether because of new confirmation, future events or otherwise.

We will look at the consolidated financial and provide year-on-year comparisons.

The key financial highlights for 2nd Quarter and first half of current year are as follows:

Total revenue in 2nd Quarter stood at Rs. 1,354 crores against Rs. 1,187 crores, and in half year, revenue stood at Rs. 2,656 crores against Rs. 2,332 crores, posting healthy growth of 14% in both current quarter and first half of the year.

Our gross margin stood at 77% for the quarter and 78% for half year. Full year 2026 margin is expected to be around 78% plus/minus 1%.

Personnel cost was at Rs. 317 crores against Rs. 261 crores, an increase of 21% in the quarter and Rs. 620 crores against Rs. 545 crores, an increase of 14% in first half over the previous year. Higher increase is mainly on MR addition in second half of the previous year.

Other expenses for the current quarter stood at Rs. 392 crores compared to Rs. 353 crores in the corresponding quarter of the previous year, reflecting an increase of 11%. For the first half of the current financial year, other expenses were Rs. 765 crores against Rs. 616 crores in the same period last year, an increase of 24%. We continue to make strategic investment in our products and people across our branded generic portfolio and we expect our other expenses to remain in line with the trend seen in the first half of the year.

Our R&D spend which is part of personnel and other expenses was at 5% of total revenue and is expected to be at similar levels. In current quarter, expenses were at Rs. 63 crores against Rs. 57 crores, and in half year expenses was Rs. 119 crores against Rs. 108 crores.

EBITDA for the current quarter stood at Rs. 328 crores compared to Rs. 311 crores in the corresponding quarter last year, reflecting a growth of 5%. For the first half of the year, EBITDA was Rs. 679 crores against Rs. 642 crores in the same period last year, registering a growth of 6%. EBITDA margin for the quarter was 24% and 26% for the first half.

Excluding the impact of mark-to-market foreign exchange losses, EBITDA margins were in line with our guidance of 27% (+/-1%) for both the quarter and the first half. Mark-to-market FOREX loss in other expenses stood at Rs. 41 crores in current quarter and Rs. 66 crores in half year, whereas there was FOREX gain in other income of Rs. 40 crores in current quarter and Rs. 49 crores in half year. Hence, excluding FOREX loss impact, EBITDA margin in current quarter stood at 27% in first half, it was at 28%. We remain confident of a sustained EBITDA of 27% plus/minus 1% for rest of the two quarters.

During the quarter, PAT was at Rs. 260 crores against Rs. 216 crores, a growth of 20%, and in half year, PAT was Rs. 516 crores against Rs. 462 crores, a growth of 12%. In current quarter and half year, our PAT margin stood at 19%.

Income tax stood at 23% for first half of the current year and is expected to remain in the range during the year.

We incurred CAPEX of Rs. 145 crores in first half of the current year and is expected to be in line with our guidance of Rs. 300 crores for the whole year.

Trade receivables increased to 101 in a day from 94 days, primarily due to the discontinuation of factoring and the adoption of working capital loans to benefit from lower interest costs. This change remains neutral to the P&L as we hold matching investments for a similar amount giving similar return to the interest outgo. On the other hand, inventory levels showed a significant improvement standing at 56 days compared to 72 days in the previous year, reflecting the results of our sustained efforts to enhance the efficiency of our working capital cycle.

With these highlights, I open the floor for the question-and-answer. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Tushar Manudhane from Motilal Oswal. Please go ahead.

Tushar Manudhane: Thanks a lot, sir, for the opportunity. Sir, just on domestic formulation side, number of new-to-market launches has been pretty less for first half of FY26. So, if you could just share your comments for remaining second half as well as FY27.

Rajesh Agrawal: I think they have been very selective and strategic in nature. We have fulfilled the gaps wherever we have felt that there is a need for a new product launch. And this trend will continue even for the second half of the year. I do not expect to cross it or to launch brands where we are not very confident of the future growth potential of those segments of those brands. So, we are quite happy with the number of launches we have done.

Tushar Manudhane: Got it. Sir, on the US side, we have been pretty strong for the first half that we might sustain for FY26. If you could just further sort of extend the thought process for FY27-28 considering the R&D spend which we are doing now?

Yogesh Agrawal: As you have seen, beginning of the year also, we had given the guidance that US will be a healthy growth and that is what is playing out. And I also shared the reasons for that, because we had launched five new products in the previous year second half and three new products got launched in the first half. So, we were able to get a good market share for all these products and able to do a good execution of that. So, I think the current quarter performance is what you can take it as going forward for the next two quarters also. We should be able to sustain this kind of run rate for the current quarter.

I think FY27 and '28, probably let us talk little later in the year. But we believe that US going forward also should perform well, should go maybe in high-teen growth for sure next year.

Tushar Manudhane: Got it, sir. Thanks. That's it from my side.

Moderator: Our next question comes from the line of Bino Pathiparampil from Elara Capital. Please go ahead.

Bino Pathiparampil: Hi, good afternoon. Just wanted some understanding of the nature of the FOREX loss. You mentioned that it is a cancellation loss. Where does that arise from?

Arvind Agrawal: See, we do hedging of our export sales. So, that hedging because the euro moved very sharply during the first half, because of that the mark-to-market losses have been booked there, but on the other side, we also have gains because of the outstanding which we have from the export debtor. So, practically, it is nullifying. Only thing is that because of the accounting norm, the loss is booked in the expenses, whereas the income goes into other income, because of that, that clarification of EBITDA is there. Otherwise, we are absolutely protected.

Bino Pathiparampil: Understood. And for the full year, do you maintain the earlier margin guidance adjusted for the FOREX losses?

Arvind Agrawal: Yes, please. Absolutely.

Bino Pathiparampil: Okay. Thank you.

Moderator: The next question comes from the Abdulkader Puranwala from ICICI Securities. Please go ahead.

Abdulkader Puranwala: Hi, sir. Thank you for the opportunity and congratulations on good set of numbers. So, just wanted to understand first on your EBITDA margin guidance while we are maintaining status quo but as compared to say the first half where we have seen 28% kind of an EBITDA margin, and the outlook for all the segments at least from a top line growth is robust, I just wanted to understand why is there a cautious view on margins when the top line growth is going to improve ahead as well?

Arvind Agrawal: See, what is happening is that the top line growth is very robust, as you rightly said, very true. But we are also simultaneously investing on people and products. That is something which is very, very important. And I think we are still talking about 27% plus/minus 1%. So, we are very confident that in spite of all the expenses or investment, which we are doing in branded generic markets, etc., we are still going to get the same EBITDA margin, which we are getting now.

Abdulkader Puranwala: Got it, sir. And just one more on the working capital increase. So, if I go through your cash flow, then in the first half the cash flows from operations have been little weaker as compared to where we were historically. So, just wanted to have a recall on the trade receivable commentary what you made on your opening remarks, can you please elaborate on that, how is that impacting your overall cycle, please?

Arvind Agrawal: I will tell you. See, last year, we did factoring for our receivables in US. This factoring were done in Q3 at that time. Somehow, we found that the interest cost for working capital is much better, we will get the advantage. So, we switched over from factoring to working capital. So, you will see the borrowing in the balance sheet now, and you will also see the receivables increase. So, it is just the effect of factoring going out and receivable coming in back. So, that is where the trade receivables have gone up.

Abdulkader Puranwala: Understood, sir. All right, sir. Thank you so much and I will join back the queue.

Arvind Agrawal: Thank you.

Moderator: Our next question comes from the line of Bharat Celly from Equirus. Please go ahead.

Bharat Celly: Hi, sir. Good afternoon and thank you for the opportunity. Sir, I just wanted to understand on the expense part. We have been investing in new products as well as the building of the MR team for the new divisions. So, how do you see the ramp up as well as how long it will take for us to start seeing benefit on the EBITDA side as well as margin side when these new MRs will start contributing positively?

Rajesh Agrawal: I think let us say about one, one and a half to two years, because to optimize the productivity of new teams, especially in the new segments, it will take some time. But the MRs that we have added in the existing segments and the divisions that we have launched in the cardiology last year and dermatology, we are quite confident that they will start to yield results faster, because we already have a good presence in those segments. So, it is very hard to pinpoint and say exactly by which quarter and which year. But the efforts are on with full throttle to get them up to the productivity level that we are already at.

Bharat Celly: So, when we talk from the margins perspective, so is it possible for us to go back to the margins like 30% probably in the next two years or will largely the investment still remain around 27%-28% from the long-term perspective?

Yogesh Agrawal: I think, probably if you compare Ajanta's margins or margins with the rest of the pharma companies, we are probably one of the top three or top five companies who have this kind of margins. So, I think the correct way to look at would be to see what is the growth we are posting on the top line and the bottom line. That would be the correct measure instead of focusing purely on the expansion of the margin, because there is always the forward-looking expenses which comes in. So, the field expansion will keep continuing in some shape or form in some quantity. There will always be some forward-looking expenses which will come in. So, I think guiding towards that kind of expansion of

30% or plus probably will not be the right metrics to look. I think the correct metrics would be to see what is the growth we are posting year-over-year on the top line and the bottom line.

Bharat Celly: I was wondering whether our aspiration is to go towards higher margin or we will be more investing towards the growth? So, that is what I was trying to understand.

Yogesh Agrawal: No, we are of course driving for the growth and that is how you have seen we have added people in the field whether it was India or international market and that is reflecting in our P&L. Currently, our employee expenses have grown by 21%. So, there is an addition of the people all around even our other expenses have gone up. So, the growth does remain and increasing in the market share remains a very prime importance and that will always continue to be there. At the same time, we are also looking at what is the growth we are putting on the bottom line as well. So, both put together, I think we are comfortable and we are happy with the growth which we are posting.

Bharat Celly: Surely. And how many MRs or the personnel we are looking to add in the next 18 to 24 months, is there any ballpark which we can look at?

Rajesh Agrawal: In the domestic, we do not have any particular ballpark or a number set. We will decide as we go along based on the need and the growth in the existing divisions. But however, we can, I mean broadly going by the past trend, maybe we can look at about a couple of hundred in the next one and a half, two years.

Bharat Celly: And for the export side?

Yogesh Agrawal: For the export side for the whole year, we are looking at about 10% to 12% increase in the field size for the current year and next year, it should be in the range of about 7% to 8%.

Bharat Celly: Surely, sir. That is very helpful. Thanks a lot.

Moderator: The next question comes from the line of Abhishek Jain from AlfAccurate. Please go ahead.

Abhishek Jain: Thanks for the opportunity and congratulations for the good set of numbers. Sir, as you mentioned that other expenses have gone up because of the addition of the MRs in India, just wanted to understand number of MRs in India and plus Asia and Africa at this point of time in Q2 FY26 end?

Arvind Agrawal: We now currently have total 5,680 people in both India and the other markets put together as on today.

Abhishek Jain: Okay. And how is the bifurcation in India versus Asia and Africa?

Arvind Agrawal: India is 3,600 people and Asia, Africa, it is 2,080 people.

Abhishek Jain: Okay, sir. Got it. And sir, what was the INR versus Euro and INR versus USD in this quarter realization?

Arvind Agrawal: I did not get your point.

Abhishek Jain: Sir, what was the realization of INR versus Euro and INR versus USD in this quarter?

Arvind Agrawal: Our realization including these forward-booking which we have done. Okay? For dollar it is 86 and for Euro it is 98.

Abhishek Jain: And how much is the current hedging in overall FOREX?

Arvind Agrawal: Almost 50%.

Abhishek Jain: Okay. And sir, my last question on this, if you can throw some more light on the segment wise EBITDA, a ballpark number on the different geographies or segments like US generis and Africa branded and Asia branded?

Arvind Agrawal: No, we do not give geographical EBITDA margin. Sorry for that.

Abhishek Jain: So, in this quarter US generic has shown a very impressive number. So, is there any margin improvement over there?

Yogesh Agrawal: Sorry, I did not get your question.

Arvind Agrawal: He is saying because US is very strong, whether it has also contributed in the margin.

Yogesh Agrawal: Yes, naturally, of course. The EBITDA margins in the branded generic business is higher as compared to the US market. So, naturally the US business which has done well, it has also given a contribution to the gross margin and the PAT also.

Abhishek Jain: Okay. Thank you, sir. That is all from my side.

Moderator: Our next follow-up question comes from the line of Tushar Manudhane from Motilal Oswal. Please go ahead.

Tushar Manudhane: Sir, just this clarification. Firstly, on this number of MRs that to be added in India on 3,600 base, say in second half or next 12-months?

Arvind Agrawal: No, the total MR for India is 3,600 and for EM it is 2,000 around. So, for India, we are talking about 100 people maximum in the next one year, whereas in the emerging market, we are talking about 10% this year and 7% to 8% next year.

Rajesh Agrawal: In India, we said 200 over the period of two years, because the question then was one and a half to two years. So, this is an estimate. This is not a fixed number. There are no definitions. But going by the past trend, this is what I estimate.

Tushar Manudhane: Got it. And sir, secondly, on this switching from factoring model, any particular reason you would like to call out or highlight and is this something which now we are going to sort of continue in the foreseeable future if you could throw some light on this aspect?

Arvind Agrawal: Yes. I think we will continue this structure now, because this is little advantageous in terms of the interest rate. So, we are getting a benefit of at least 2% to 3% compared to factoring. So, that is why we have switched over and this is very beneficial for the company.

Tushar Manudhane: And you are seeing the other companies also sort of trying to put such kind of structure as far as US market goes?

Arvind Agrawal: Honestly, we do not know what is happening there, but at least for us, this has really worked out very well. So, we thought it is better to really continue and as I mentioned in my commentary also, it is neutral to P&L because a similar amount of investment is being made here and with the same interest rate, so, practically P&L is absolutely neutral.

Tushar Manudhane: Got it. And sir, if you could at least give a few insights into the inventory level reduction in terms of how differently we have worked on to manage the working capital as far as inventory is concerned?

Arvind Agrawal: I think it is a continuous effort we are doing for the last three years now. We are consistently working on that particular area, both on the receivable and on the inventory and now those results are coming to us. In fact, it is an effort which is ongoing and we will continue to work on it.

Yogesh Agrawal: What you are saying in the first half is slightly on the lower side. I think going forward, it may inch up a little more from here. I think this is not sustainable. Right now we are at 56-days, we are expecting it should go about 65-days or so. I think the 70-days odd is a realistic figure. Probably we should operate below that.

Tushar Manudhane: Understood sir. Thank you.

Moderator: The next question comes from the line of Alok Dalal from Jefferies India Private Limited. Please go ahead.

Alok Dalal: Yes, good afternoon. Yogesh ji, you mentioned about better growth in Africa region for FY26 versus the previous guidance. So, what is giving confidence of better growth here?

Yogesh Agrawal: No, generally the way we are seeing the trends, I think we feel for the next two quarters, our growth should be better than what we had guided earlier. Also the next two quarters, our base for the previous year was slightly lower. If you see, currently we are trending at about Rs. 230 crores in the last two quarters and Q3 and Q4 of the previous year, they were on an average Rs. 150 crores-odd quarters. So, based on that, if we continue our current trend, even if we are not able to sustain the current trend rate, even slightly lower, still we will be able to post the good growth.

Alok Dalal: Okay. And for next year also, can we assume double-digit growth to sustain?

Yogesh Agrawal: For which market?

Alok Dalal: For the Africa market only?

Yogesh Agrawal: Yes, yes. Africa, we are looking at a double-digit growth for the next year.

Alok Dalal: And Rajesh, for the cardiac division in India, we are seeing sustained underperformance versus the IPM. So, what are the reasons for that and what are the steps being taken to reverse that?

Rajesh Agrawal: So, there is a huge anomaly that is there in the IQVIA reporting of Ajanta growth rates versus what we have recorded internally. Now, if you look at the covered market or the cardiac market growth rate is 12% and Ajanta growth rate being reported is 6%, whereas our internal actual growth rate on the sales side is matching with the IPM growth rate of the cardiac segment. So, there is no underperformance there itself. We are in talks with IQVIA to see how this anomaly can be taken out and what could be the reasons why there is such a big gap. It usually does not happen. So, we have had couple of rounds of discussions and the talks are on to find out which brand and why this gap is existing. I am not too worried as I said and why also is what I expressed. Having said that, of course, there is always room and scope for us to grow faster and the effort is on. And hopefully, this anomaly should come out or iron out in itself in the next couple of quarters. I hope that answers your question.

Alok Dalal: Yes. So, it is basically a reporting issue from IQVIA perspective that the company reported numbers are tracking well?

Rajesh Agrawal: Precisely. Yes.

Alok Dalal: Yes. Okay. Okay. Thank you, sir. Thank you for taking my questions.

Rajesh Agrawal: Thank you very much.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Yogesh Agrawal for closing comments.

Yogesh Agrawal: Thank you, everyone for joining this call. In case if there are any further questions that remain unanswered today, please reach out to our investor relations team. Thank you so much.

Arvind Agrawal: Thank you everybody for joining the call.

Rajesh Agrawal: Thank you.

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