Emcure

Ref: EPL/CS/SE/0027/2024 **Date:** November 13, 2024

To,

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

Dear Sir/Madam,

Subject: Transcript of Earnings Call – Q2 FY25

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and further to our intimation dated October 29, 2024, please find enclosed the transcript of the Earnings Call for the Q2 FY25, held on Thursday, November 07, 2024 at 6.30 p.m. (IST).

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

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

Thanking you,

For **Emcure Pharmaceuticals Limited**

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Emcure Pharmaceuticals Limited

Q2 FY25 Earnings Conference Call

November 07, 2024

MANAGEMENT: **MR. SATISH MEHTA – MANAGING DIRECTOR & CEO – EMCURE PHARMACEUTICALS LIMITED**
MR. TAJUDDIN SHAIKH – CHIEF FINANCIAL OFFICER – EMCURE PHARMACEUTICALS LIMITED
MR. VIKAS THAPAR – PRESIDENT, CORPORATE DEVELOPMENT, STRATEGY AND FINANCE – EMCURE PHARMACEUTICALS LIMITED
MR. SAMIT MEHTA– WHOLE-TIME DIRECTOR– EMCURE PHARMACEUTICALS LIMITED
MR. PIYUSH NAHAR–EXECUTIVE VICE PRESIDENT, CORPORATE DEVELOPMENT AND STRATEGY– EMCURE PHARMACEUTICALS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Emcure Pharmaceuticals Q2 FY25 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Piyush Nahar, Executive Vice President, Corporate Development and Strategy. Thank you and over to you, sir.

Piyush Nahar: Thank you, Del. Good evening, everyone. Earlier today, we released our financials for the second quarter of fiscal 2025 along with our press release. These are also posted on our website. We hope you all had the opportunity to review it. I'd like to bring to everyone's notice that this call is being recorded and the recording and transcripts will be available on our website.

To discuss the Company's business performance and outlook, we have on the call our Managing Director & CEO, Mr. Satish Mehta, our CFO, Mr. Tajuddin Shaikh, President, Corporate Development, Strategy and Finance, Mr. Vikas Thapar, and our Whole-time Director, Mr. Samit Mehta.

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

At the end of the call, if you have any queries which remain unanswered, please feel free to contact us. I would now request Mr. Satish Mehta to provide the opening remarks. Thank you and over to you, sir.

Satish Mehta: Good evening. Thank you, Piyush. Good evening to all of you. Let me take the opportunity to wish you a belated Happy Diwali and of course, a very prosperous New Year. It is an absolute honour and pleasure to speak to all of you today and present our Q2 FY25 Results Update. Just to let you know, we released our Q2 results today afternoon and I hope you had a chance to have a look at them. In Q2, we delivered a very strong performance. Our revenues grew by 20% year-on-year basis while our PAT grew by 38% year-on-year basis. During the quarter, all our businesses performed well.

Let me give some key business updates and Taj, of course, will walk you through the detailed financials. Some of the key developments as per the second quarter is concerned are, when we met during the road show, we talked about entering into new therapies to expand our covered market. I specifically mentioned about going for the areas where we have negligible presence and in the areas where we have to double down. I am happy to announce that we have recently onboarded a new team in our Derma to grow that business. To give adequate focus to Derma, we have set up a new 100% owned subsidiary, Emcutix to grow that business. Emcutix will be headed by Mr. Sathya Narayanan. Sathya brings with him over the three decades of extensive experience in the dermatology sector. As far as he is concerned, he started his career with Fulford, then known as Schering-Plough Subsequently, he became the Chief Executive and Managing Director of Galderma for South Asia. All of you are familiar with the brand Cetaphil. As far as this particular brand is concerned, this happened under Sathya's leadership. Obviously, we are very excited about this and Sathya is also building an absolutely top class, competent team for our Derma business. And you will see a lot of new product launches and initiatives in this segment going forward.

As you know, we at Emcure have a strong presence in the field of HIV. We are one of the major suppliers to the Sub-Saharan Africa and other areas for HIV. A very major development has taken place in the current quarter. We recently in-licensed Lenacapavir from Gilead Sciences for India and Emerging Markets. This, in our view, is a path-breaking product in the ARV treatment regime and this adds to our strength in the ARV segment. The license also highlights our focus on innovation and new products. In the meantime, as I mentioned last time about Sanofi, our journey to have similar alliances will continue. In-licensing is a major part of the job which is spearheaded by me. We will continue looking out for opportunities to build our business in the domestic market.

Having said that, we recently got approval for our facility for EU GMP for our biologics. As I told you last time, our focus is going to be on domestic and emerging markets. The EU GMP approval for biologics will help us to get faster approvals in targeted emerging markets and this I see a reasonably good development going forward.

Having talked about the major developments in quarter 2, let me now talk about our key businesses. In India, we have grown at 15% in domestic business. Ex of Ferric Carboxymaltose and without factoring Sanofi, our base business has grown by 7%-8% which is broadly in line with the industry.

As you are aware, industry growth has been muted in Q2 with Acute seeing the most impact. For us, as highlighted in the last quarter, extreme impact is still there in Q2 growth as the product FCM went off the patent in October last year. Our objective is to grow faster than the industry as far as the domestic market is concerned which is very close to my heart. To achieve this, we have been working on multiple initiatives over the past few quarters. I alluded to in licensing sometime back, there is going to be a major thing which will be spearheaded by me. I have already talked about Derma. As far as the cardiac side is concerned, the Sanofi business has integrated very well and with this, we will also look at benefits from product synergies and co-promotion because absolutely top-class team from Sanofi which is very well integrated with Emcure is now promoting products with lot of vigour and vitality.

As you know, we are known as a women's healthcare business. Gynaec business is very important for Emcure and the gynaec business continues to do well. Our key anaemia franchise, Orofer XT, is seeing double digit growth. This has been led by awareness programs like anaemia camps and focus on growing prescriber base and as we go forward, we will double down in the gynaec segment which is a very key growth area as far as Emcure is concerned.

Having talked about the domestic business and having told about Derma or even for that matter cardiac and double down on gynaec and also focusing on other segments, let me now turn my attention to the international business. I am happy to say that as far as the international business is concerned, on the back of differentiated portfolios is doing well and tracking ahead of our expectations.

As far as Canada is concerned, both our base business and recently acquired Mantra are doing very well. The focus here is on new product launches, complex products and market share gains and we are obviously seeing positive gains and positive signs as far as this strategy is concerned.

As I told in the beginning, domestic market and emerging markets are very important to us and in emerging markets, both ARV and non-ARV segments or AR part of the business are doing very well. ARV business after two muted years, we are seeing some recovery in the market. Our order book is very strong here. What has also helped us is new launches especially in the PEPFAR segment from our new facility at Kadu. We expect the business to see strong growth in the current year. On non-ARV front, we are seeing traction for our differentiated products. We are seeing approval for connected place in our key markets, the products which are essentially promoting for stroke and this product is very well received not only in India but in emerging markets as well. As far as EU is concerned, as we are guided, EU growth in the current year will be a bit muted. H1 growth is healthy 7% nevertheless.

Overall, with the initiatives we have taken, we hope to sustain our growth momentum. Our focus going forward will be to improve our margins led by operating leverage. I am extremely conscious of the fact that the margins have to improve. We are making positive development in that direction. Operating leverage and focusing on profitability is going to be a major area on which all of us will be focused.

With that, I would now request my CFO, Taj, to give you more colour and details about the financials for the quarter which has just ended. Thank you very much for giving me a patient hearing. I appreciate your support and looking forward to working very closely as we go forward. Thanks once again.

Tajuddin Shaikh: Good evening, everyone. As mentioned by the CEO, Q2 has been a strong quarter for us. Our revenue from operations grew by 20% year over year to INR 2,002 crores for Q2, growing from INR 1,663 crores in Q2 for financial year 2024. Our domestic business grew 15% year over year to INR 933 crores aided by Sanofi's portfolio, offsetting the decline due to FCM.

Ex-FCM and Ex-Sanofi registered a steady growth of 7%-8% year over year and 3% QoQ. Our international markets which represent nearly 50% of our revenues grew at a robust 25% to INR 1,069 crores led by our EM and Canadian markets. Organically, the business grew 14%. Canada grew 51% to INR296 crores for Q2. Base business continues to do well. Europe grew 6% to INR 362 crores for Q2.

Emerging markets saw very strong growth of 29% led by growth in both ARV and non-ARV segments. EM sales stood at Rs 411 crores. Coming to gross margins, gross margins for the quarter stood at 60.6% against 62.9% in Q2 FY24. The decline is due to business mix. Sanofi business is at lower margins and a little bit of higher ARV sales. The base business GC percentage are stable year over year.

Our EBITDA grew 26% year over year to INR 417 crores. EBITDA margins stood at 20.8% higher than Q2 FY-24 and Q1 FY-25. This was partly aided by other income.

Base margins ex the one-time other income improved 50 bps QoQ as we saw operational leverage and MR productivity improvement which we have talked about before. Depreciation and amortization expenses increased to INR 97 crores from INR 70 crores year over year due to the Mantra acquisition and operationalization of four new plants. QoQ depreciation is largely stable.

Our interest cost for the quarter was at INR 46 crores which will be lower going forward due to the reduction in debt. The interest cost in the current quarter includes INR 8 crores one-time expense related to prepayment of loans. Our estimated tax rate for Q2 was at around 26%.

Our PAT for Q2 stood at INR 202 crores growing 38% year over year. Coming to the balance sheet side, our net debt for the quarter end stood at INR 705 crores down from INR 1,558 crores at the start of the fiscal year and down from INR 846 crores at end July. Our working capital days remained stable at around 96 days at the end of September.

We can now begin the question and answer session.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is on the line of Gagan Thareja from ASK Investment Managers. Please go ahead.

Gagan Thareja: Good evening, sir. The first question is on the cash flow generation. If I look at the operating cash flow for the first half of this year versus first half of last year, there is a reduction. Can you elaborate on that? Is it largely coming from an increase in working capital?

Tajuddin Shaikh: It's primarily that the business has grown, so there is an increase in working capital, which has led to a reduction in the cash flow.

Gagan Thareja: No, but I mean, if the growth is in line with business, then there shouldn't be a reduction in absolute value of operating cash flow. Is there an increase in working capital days per se?

Tajuddin Shaikh: Working capital days is similar to what was there as of March 24.

Piyush Nahar: I think, Gagan, what's also happened is we had the Sanofi business which got added on from April 1st. So, there's a working capital addition which has happened for that.

Gagan Thareja: Right. So, that's what I'm asking. Is the working capital terms on the Sanofi licensing deal different? Is it higher?

Piyush Nahar: No, it's similar. So, if you look at the working capital days, it remains similar, largely, versus March. I think last September, it was probably slightly lower.

Gagan Thareja: Okay. And, I mean, you indicate that base business ex of Sanofi and excluding, you know, the product which has gone, which has seen a loss of exclusivity is around 7% to 8%. Is it possible to quantify, just excluding Sanofi, what would have been the year-on-year growth without considering the impact of the LOE product?

Piyush Nahar: So, ex of Sanofi just will probably have been low single digits growth that we have seen.

Gagan Thareja: And on the Gilead deal, two questions there. One, you know, Lenacapavir is a capsid inhibitor and as far as I can understand, a superior product to the current first line of treatment, which is the TLD combination. And if there is a voluntary license issued, it could perhaps become the standard of care in the LMIC market also. So, can you perhaps give us some idea, one, of when will this deal start commercial contribution? And second, what scale can it achieve in your assessment in the markets for which you have the license?

Samit Mehta: Sure. So, you know, as you must have read, six players have been granted the license for 120 countries. Currently, you know, it's under the process of getting the tech pack from them. So, there's a lot of technology sharing that is happening where Gilead is sharing with us for both the drug substance and drug product. So, once that is complete, it will follow a similar pathway like most other products, where it would be an 18 - 24 months development cycle and then filing. And then, of course, after that, it will be, you know, whatever regulatory approvals and commercialization post that. At this point, we don't have a very concise assessment on the potential of this molecule at commercial launch.

Gagan Thareja: So, I mean, if you look at the LMIC market for ARV drugs, it is, I think, close to a billion dollars or USD1-1.2 billion. What I'm trying to understand is, once this product comes in, your base business, which is the current first line of treatment will go down and this will go up. Does that mean that net-net for you, the sales in ARV will remain broadly what it is, because there's a shift away from one line of treatment to another line of treatment? Or do you think this will be accretive for you in the ARV markets?

Samit Mehta: I believe the potential of this product could possibly be far larger than the current ARV market. The reason being is, while today it is approved only as a treatment, I understand that trials are also going on for use of this molecule in a preventive or prophylactic indication. So, if that comes through, probably the market size itself will increase compared to where it is today. And then, the potential could surpass the current market.

Gagan Thareja: Okay. But you don't see this sort of coming to the markets at least for the next 2 years. It's only after that, that any commercial contribution starts. Is that how it is?

Samit Mehta: I believe it will be phase-wise. So, probably, you know, the domestic market approval and launches in India for the four players that have got the license could be earlier. Whereas, for the other markets, where you actually have to file the dossier and then depend on their regulatory authorities, it could be a little more elongated.

Gagan Thareja: And, sir, going into the second half of the year, how should we think of, growth in your various key markets, India, Canada, EU and ROW? And, in terms of margin profile, do we see a continuous improvement over the coming quarters?

Piyush Nahar: Yeah. So, I think in terms of for us, usually 2H is better in terms of growth in the international market. So, I think the guidance what we have given is overall for the full year, we expect growth to be about 20% plus. And we can maintain that. I think we will be on track to deliver that. On the margins front also, 2H, you should see better margins than what we had in 1H. I think the endeavour will be to improve margins going forward.

Gagan Thareja: And how much will the interest costs further come down by in the second half?

Tajuddin Shaikh: It will come down by around INR 25 crores. Other than the exceptional of INR 8 crores, that's going to come down anyway.

Gagan Thareja: Okay. And is there an element of any forex gain in your other income? There's a substantial jump in your other income?

Piyush Nahar: There's about INR 5 crores of forex gains, let's say.

Gagan Thareja: All right. Okay. Thanks, sir. I'll get back in the queue if I have more questions. Thanks for taking my questions.

Moderator: Thank you. The next question is on the line of Dipesh Sancheti from Mania Finance. Please go ahead.

Dipesh Sancheti: First of all, I want to congratulate the management. Excellent set of numbers. Just wanted to know where the growth going ahead will come from. Will it come from acquisition-led growth? Or will the core business also show similar kind of 20% growth as you mentioned?

Piyush Nahar: So, I think what you mentioned is that 20% growth includes some of the inorganic factors that we have. Organically, if you look at it, overall, we have been growing at about 12% odd.

Dipesh Sancheti: Okay. And going ahead, we see acquisition-led growth in the future. I mean, I'm talking about the next two to three years.

Piyush Nahar: I think what we already stated earlier also that we do continue looking at acquisition. So that is one area we will look at. I think for us, the focus area that we have talked about is one in India is going to be the big focus market for us, where we look for brands. And historically, we haven't done that, but that is something which we will look at going forward.

Vikas Thapar: Just to add, I think what we have guided in the past also is that in the Indian context, we aspire to grow slightly faster than overall industry growth, which we anticipate. Obviously, the industry is probably growing at high single digits. Whereas in the international part of our business, given the mix of the geographies we are present in, we believe that organically that growth will be in the low double digits. And then, of course, where we can evaluate and vote on any acquisitions on top of this profile for both domestic and international, we will continue to be actively looking for such opportunities.

Dipesh Sancheti: For this year, since you said that H2 will be better than H1, should we expect that in FY25, we should have about INR 1,000 crores of profit?

Piyush Nahar: I don't think we are giving out profit guidance at all here. I think the guidance that you have given is on the revenue side will be 20% plus, and EBITDA margins that we talk about, about 20% to 21%.

Dipesh Sancheti: 20% to 21%. Okay, fine. Fine, I will get back in the line.

Moderator: Thank you. The next question is from the line of Alankar Garude from Kotak Institutional Equities. Please go ahead.

Alankar Garude: Hi, thank you for the opportunity. Satish, you spoke about traction in Tenecteplase in emerging markets, can you please elaborate on the key markets wherein we are seeing that traction? And secondly, do we have that 4.5-hour approval in each of these markets or in some markets, we are still at 3 hours?

Satish Mehta: Samit will answer just to let you know that we got registration in Sri Lanka some time back and we got a reasonably big order from Sri Lanka. So, it's on the verge of getting registration in Philippines, so that can virtually happen in the next few days. We are actively pursuing in Thailand and even for that matter some Latin American countries.

Then our trial for this particular product is over in Russia. So overall we see a lot of traction for this product going forward. And as I mentioned, this is also going to be helped by the EU approval. Because you know in emerging market, if the product is approved by EU, obviously it puts it on the fast track. Samit, would you like to add something?

Samit Mehta: Sure, just to echo the key geographies that we are seeing traction are CIS, some countries in Middle East, North Africa and Southeast Asia. So far, the majority of the approvals and demand that we are seeing are for the myocardial infarction indication. There are couple of countries based on the novelty of the indication and the proven efficacy in stroke which are also beginning to import this on special access and which will also be followed by a registration in those countries.

So, in that context to answer you whether it is a 3-hour window or a 4-hour window, that's not yet a part of the approval there. But given that the fact in India the package insert has the 4-hour extension now, it should pretty much mimic that in whichever countries it gets registered for that indication.

Alankar Garude: Understood. So basically, in terms of penetration, it is safer to assume that in many of these emerging markets, there is a good growth runway ahead for the next few years and then Europe will be on top of that. Is that a fair statement?

Samit Mehta: Yes, I think in the emerging markets where it qualifies as a biosimilar for the original approved indication of MIs, the traction is higher and there is a good growth runway. The real runway will come in once we get approvals for the ischemic stroke indication as well and the facility GMP accreditation from EU should fast track that process in many countries.

Alankar Garude: Understood. The second question is you spoke about strong growth expectations in ARV in this fiscal. Can you firstly comment on the current scale of the ARV business and if possible, split between India and international? And maybe a sub-question there would be given the lumpy nature of the business, is it possible to comment on the outlook for FY26 as well? Thank you.

Piyush Nahar: So, ARV when we are talking about is largely the international business which we have in the rest of the world markets. I think in domestic what we had highlighted even last year itself is that it has become very small. For the current quarter about roughly half of the rest of the world market business was ARV and full year also it will be roughly about similar for us in terms of the Rest of the world market.

Vikas Thapar: Yes, I think we have a fairly strong order book on the ARV products that we will be servicing for the rest of the year. So, we think that we have fairly good visibility for FY25 for the ARV segment.

Alankar Garude: And possible to comment on FY26 outlook for ARV?

Piyush Nahar: I think it is too early. It is probably next quarter around.

Satish Mehta: It is a tender driven business to that extent it is very difficult to have a guess. But at the same time if you look at the traditional outlook for last five years, we have been consistently meeting the numbers. But at the same time, a definite answer is difficult because it is a tender driven business.

Alankar Garude: Fair enough. So basically, sir the question there is I mean we are talking about improved margins in the second half and our understanding is margins in ARV would be lower than the corporate average for us. So, the question then is which are the key segments which are going to drive better margins in the second half for us assuming ARV continues to remain strong in the second half?

Piyush Nahar: So, I think for us it is a couple of factors. One is some of these operating leverage for both from the factory side and also as the MR productivity keeps on rising that drives out. And secondly some of the non-ARV business in the emerging market that is more back-ended into 2H. So that as it picks up you will see that margin traction coming through.

Vikas Thapar: And of course, on the India business side we continue to undertake efforts for gaining some operating leverage from the productivity improvements as well.

Alankar Garude: Understood. And one final question. On an organic basis apart from Gynaec which are the key therapies you expect to drive out performance over the market say in the next 2-3 years?

Piyush Nahar: So, if you look at for the next 2-3 years Gynaec is one area. Cardio I think is where you will see a growth picking up for us especially with the Sanofi integration now fully behind us. As you mentioned among the newer areas Diabetes and Derma are the two areas that we will be putting a lot more focus on. We are seeing a lot more product launches there. CNS based on the Tenectase that we are seeing a lot of growth out there. On the more acute side where your anti-infectives and vitamins where we have added the 500-field force on the Zuventus side that is where we expect the growth to come through.

Alankar Garude: Understood. That's it from my side. Thank you.

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

Gagan Thareja: Thanks for taking the question. Is it possible for you to give some more flavour of how your Zuventus and the Gennova businesses have fared in the first half of the year? How do you see them panning out in the second half of the year?

Piyush Nahar: Gagan, we are not breaking it up right now. I think you have seen the full year numbers of how Zuventus and Gennova are doing. But I think Zuventus is broadly in line with what we see in the domestic market that you are seeing. Gennova is doing slightly better out there with some of the biosimilars doing well. But we are not breaking that up right now.

Gagan Thareja: You are starting this new subsidiary. You put in a team in place. Any vision or aspiration for this that you can share perhaps with a 3- or 5-year time window in mind? How do you see this evolving?

Piyush Nahar: I think as we have been talking about, Derma is one of the focus areas we want to be present in. With the team that we have building it out there, I think the idea will be to launch a lot of differentiated products which has been Emcure’s focus and strategy. You will see that similar thing replicated out there. I don't want to put out guidance or even in terms of targets on where we want to be. But that is going to be one of our key drivers going forward.

Gagan Thareja: Is it possible to break down your base business domestic growth, ex of Sanofi into volume and new introductions in price broadly?

Piyush Nahar: If I look at ex-Sanofi, ex-FCM because that has a big price delta. Volume growth has been about 3-4%. Pricing is up another 2-3%. And new products is another 2-3% broadly.

Gagan Thareja: You are basically saying that volume growth has been reasonably ahead of the IPM volume growth for your covered business?

Piyush Nahar: Yes.

Gagan Thareja: You expect to be able to sustain this kind of volume growth going ahead?

Piyush Nahar: I think that is our focus and that is what we have been targeting out.

Gagan Thareja: Is it also possible to understand your current PCPM and how does it stack up versus the first quarter and versus comparable quarter of last year, that is Q2 of last year?

Piyush Nahar: First quarter we were at 6.3. In Q2 we are at about 6.6. Last year same quarter we were at about 5.9.

Vikas Thapar: I think we had obviously guided towards that by FY25 end our aspiration is to be in that sort of high 6s territory and we are very happy with the Q2 performance and we think that should hopefully continue to move in that direction as well.

Gagan Thareja: Have you also had to discontinue any product because of regulatory reasons? I think under the irrational FDC list there was one drug from Emcure. I don't remember the name but I do remember there was one drug for Emcure. Is it possible to give an idea of which drug was that and what was its contribution?

Satish Mehta: The drug that we had was Etodolac + Paracetamol. That is the drug which has been discontinued. At the same time as far as that particular drug is concerned the contribution is less than INR10 crores.

Gagan Thareja: Okay. All right. And for the four new plants that you set up, how is the capacity utilization faring for each of them currently?

Samit Mehta: We have four plants which we mentioned. The first one was the oral solids facility at Kadu. There the capacity utilization has picked up very well primarily because as CEO mentioned right up front we also started using that facility for some of the ARV supplies especially under PEPFAR. The second plant is our Emerging Markets plant in Mehsana. There the injectable facility has very low utilization at present it is still filing products. The Oral Solids facility is closer to 50% because a lot of site transfers for Europe and Canada have happened there.

Biosimilars facility, given the fact that it has just got EU accreditation, now is the time when we will start utilizing it for doing a lot of validation batches and filing products as well. And in terms of the oncology block at Sanand, that also is seeing good momentum in terms of increased capacity utilization.

Gagan Thareja: And the Canadian acquisition, how has that one fared for you in terms of is it tracking in line with your expectations? And in terms of margins, where does it stack up currently versus your overall average margin with site transfers and so on what is the scope of taking margins up there?

Vikas Thapar: In fact, we are very happy with the recent acquisition of Mantra. In fact, for the current year, it is probably tracking slightly higher than our own expectations for the first half. They have partially benefited from some of the supply disruptions, given some of the peers ran into issues with the regulatory agencies, which created some short-term opportunities for that business as well, which we were able to capture the market share.

In terms of profitability, I think broadly it is tracking in line or slightly higher than the overall profitability average from an EBITDA margin profile of the entire business. So very happy, but I think we think that this business will continue to fare well in the remainder of FY25. And as we look towards FY26, just given what we acquired it, the number of synergistic opportunities to take the products, as we highlighted in the roadshow, both some of their products for the rest of Canada, as well as our existing Canadian businesses' products for the Quebec region. So, we think that that will continue to unfold over the next 12 months as well.

Gagan Thareja: Thanks again for taking my questions. I wish you all the best. I will get back in the queue for more if I have.

Moderator: Thank you. There is a follow-up question from Gagan Thareja from ASK Investment Managers. Please go ahead.

Gagan Thareja: Thanks. One question on the India business, and this is not specific to the company, but it seems that acute companies with perhaps a higher share of acute in their portfolios have really struggled for growth throughout the first half of this year. I can understand that companies which have a high share of NLEM would have struggled to show growth, but even for companies which have a lower share of NLEM like you as well, it's been a bit of a challenge. Any thoughts around what has led to this and what should we expect as a baseline growth for the acute share or the acute part of the Indian pharmaceutical market?

Piyush Nahar: I think, Gagan, it's difficult to bring out the industry. We were expecting a bit of pick-up, especially with the monsoon and all, but that hasn't happened. I think we'll wait for some more time before we can give you a proper update on what is driving that, the slow growth in acute.

Satish Mehta: Gagan, it's very difficult to hazard a guess. There are lots of theories which are being flouted around. Somebody says that generic business is taking their share, Jan Aushadhi is playing, and even for that matter, the new stores, so that the government of India is very actively starting. So, it's very difficult to come to any conclusion. Maybe it will take some time before we know what's happening.

Gagan Thareja: Okay. And the sales force addition, the field force addition that you've done, is it in your geographical areas or do you believe that there is more to capture in your existing strongholds? How have you sort of strategized around the manpower addition, if you could give some idea of what thought went into the absolute value of headcount increase and how you positioned it in various markets?

Vikas Thapar: You know, it's a combination of both those aspects. As we had highlighted, the additions which were roughly 50% of the net additions were on our Zuventus subsidiary side where one of their divisions was becoming quite a large division with a number of mega brands. So, there they went in for a vertical split in those geographies so that we could give more attention to detailing those key brands and be able to add any new launches in the near future as well.

So, there it wasn't necessarily geographic expansion, but rather just bringing that focus attention to the strong brands. On the Emcure side, which is the more chornic, some of the more sub-chronic segments, there we did go in for some geographic expansion, particularly where we're historically very strong in the metros and tier 1, some of the expansion took place to really cater to more of the tier 2, tier 3 geographies. So, that's where we saw some of the additions take place. And we're happy in both the cases, how that's tracking overall.

Gagan Thareja: And what's the current attrition rate for your India salesforce?

Satish Mehta: It's in line with the industry.

Gagan Thareja: Alright. Final one, sir, from my side. How should we think of growth for your European business? I think for this year, you mentioned perhaps it's only towards the last part of this year that the growth might start kicking in. How should we think about FY26 growth for the European business?

Piyush Nahar: I think for Europe, our target will be going forward to be in the double-digit growth.

Gagan Thareja: Thanks. I'll get back in the queue. Thank you.

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

Piyush Nahar: Thank you everyone for joining today's investor call. If you have any queries which still remain unanswered, please feel free to get in touch with us. Thank you. Have a good evening.

Satish Mehta: Have a good evening. Thank you very much.

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