Date: 15th May, 2024

To,
The Manager,
Department of Corporate Services,
BSE Limited
P. J. Towers, Dalal Street,
Fort, Mumbai – 400 001
Scrip Code: 533573

To,
The Manager,
Listing Department,
National Stock Exchange of India Ltd.
'Exchange Plaza', Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051
NSE Symbol: APLLTD

Dear Sir/Madam,

Sub: Transcript of Post Results Conference Call held on 9th May, 2024

Ref: Our Intimation dated 18th April, 2024

With reference to the captioned matter, please find enclosed herewith the transcript of the Conference Call held on 9th May, 2024.

We request you to kindly take the same on record.

Thanking you,

Yours faithfully,

For Alembic Pharmaceuticals Limited

Manisha Saraf
Digitally signed by Manisha Saraf
Date: 2024.05.15 19:02:10 +05'30'

Manisha Saraf
Company Secretary

Encl.: A/a.

"Alembic Pharmaceuticals Limited

Q4 FY '24 Annual Results Conference Call"

May 09, 2024

MANAGEMENT: **MR. PRANAV AMIN–MANAGING DIRECTOR**
MR. SHAUNAK AMIN – MANAGING DIRECTOR
MR. R.K. BAHETI – DIRECTOR, FINANCE AND CHIEF FINANCIAL OFFICER
MR. AJAY KUMAR DESAI - SENIOR VICE PRESIDENT, FINANCE
MR. NILESH WADHWA - HEAD INTERNATIONAL BUSINESS AND STRATEGY

Moderator: Ladies and gentlemen, good day, and welcome to Q4 FY '24 and Annual Results Conference Call of Alembic Pharmaceuticals Limited. We have with us today Mr. Pranav Amin, Managing Director; Mr. Shaunak Amin, Managing Director; Mr. R.K. Baheti, Director, Finance and CFO; Mr. Ajay Kumar Desai, Senior VP, Finance; and Mr. Nilesh Wadhwa, Head International Business and Strategy. 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 this 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. R.K. Baheti. Thank you, and over to you, Mr. Baheti.

Raj Kumar Baheti: Yes. Thanks. Thank you, everyone, for joining our con call. Let me briefly take you through the numbers, financial numbers for quarter ended and year ended 31st March 2024.

During the quarter, our total revenue grew by 8% to INR 1,517 crores, EBITDA is INR 263 crores, which is 17% of sales, and it grew by 29% on Y-o-Y basis. Net profit is INR 178 crores grew by 17%.

During the financial year, the whole year, revenue grew by 10% to INR 6,229 crores. EBITDA is INR 961 crores, which is 15% of sales and grew by 41%. Net profit is INR 616 crores. It grew by 80%.

EBITDA and net profit for FY '24 are certainly not comparable with previous year, as during previous year, that is financial year '22-23, expenses pertaining to new facilities were capitalized up to December '22, and they were expensed out only from January '23 onwards, whereas in the current financial year, the whole expenses, the full expenses for full year have been expensed out.Also, there were a couple of nonrecurring items in the previous year.

EPS for the quarter is INR 9.07 per share versus INR 8.33 for last year's corresponding period and for the year is INR 31.33 per share for the current year versus INR 17.40 per share after the nonrecurring items and before nonrecurring items of previous year, previous year it was INR 25.29 per share. So overall, we have done well in almost all parameters and we'll discuss business wise when we come to that.

The Company has recorded a higher dividend of INR 11 per share, which is 550% because our share par value INR 2 as against dividend of INR 8 per share, which was 400% per equity share for financial year '22-'23.

As we have been indicating in last year or so, R&D expenses for the year has been trimmed down to INR 475 crores. Last year, was INR 722 crores, but INR 722 crores also included one-off write-off of erstwhile Aleor's R&D expenses.

As far as cash flow and borrowings are concerned, the Company has generated a good cash flow of INR 900-plus crores for the year ended 31st March 2024. After meeting its capex as well as working capital requirement and payment of dividend, the net cash inflow was INR 436 crores before paying dividend after paying dividend, we could reduce our bank balance by almost INR 200 crores.

So the debt equity which is already pretty low last year, has become even lower. Our gross borrowing is now INR430 crores versus INR 636 crores last year and we have INR 120 crores of cash in hand versus INR 75 crores in March '23.

I will hand over the call to Shaunak for presentation on India branded business. Shaunak, over to you.

Shaunak Amin: Thank you, Mr. Baheti. The India Branded Business in this quarter grew by 3% to INR 503 crores. And for the year, we had a 7% growth, leading us to INR 2,200. All our specialty segments, predominantly in gynecology, gastroenterology, antidiabetic, cardiology, ophthalmology, we have done significantly well. The businesses have continued to perform well. And in many brands, we have continued to outperform the market.

Our Animal Healthcare business has continued to give a very robust performance.

The only challenge this year as well as for Q4, has been the oral and the respiratory baskets and predominantly in the oral liquids in both antibiotics as well as in respiratory. Both these segments did have a significantly higher base both for the year '21-'22 and '22-'23 leading to a significant base correction effect thereby pulling the overall growth of these segments down to almost flat or negative and despite that, we have done marginally better than the markets. But going forward, we expect even these 2 segments to give us more growth in line with the market. And with that, 95% of our overall portfolio in the India business should be doing pretty well and significantly outperforming the market.

So now I'll pass the discussion on to Pranav for the international business.

Pranav Amin: Thank you. It was a decent quarter for the international business, especially the U.S. business, which grew on the back of 7 launches. The outlook for the U.S. business also appears much better than the start of the year with the commercialization of new facilities and operations set to scale up. We also don't have any regulatory overhang and have all EIRs in place for all our facilities. Hence, we see some substantial increase in operating leverage, along with the continued progress in cost improvements.

The ex U.S. generics are also satisfactory as well as the API business, and they both on a strong foundation, they continue growing in the quarter.

As I mentioned, we have the EIR for our oncology facility and all EIRs are in place.

R&D expense was 8% of sales at INR 121 crores for the quarter. We have been working at optimizing our R&D costs and all improvements on track.

We filed 3 ANDAs during the quarter and cumulative ANDA filings at 260.

We received 1 tentative approval and launched 7 products in the U.S. during the quarter. Since April 1st, we have received 5 additional approvals, which include 2 tentative.

As regards numbers, as I said, the U.S., we launched 7 products and the business grew by 19% for the quarter, whereas for the year, it grew 10%.

The ex U.S. generics grew 5% for the quarter, but for the year, it grew at a robust 23%.

The API business grew 5% for the quarter, and 7% for the year. As I mentioned in the last quarter call that API may see for couple of quarters, a little slower offtake from some customers. But volume-wise of API business is still looking good. We take many to the regulated markets. And there's some pricing pressure, but volumes-wise API is looking quite good.

Now with that, I would like to open the floor for Q&A.

Moderator: The first question is from the line of Damayanti Kerai from HSBC Securities & Capital Markets India Private Limited. Please go ahead.

Damayanti Kerai: My first question is on gross margin. So very strong margins during the quarter. So if you can explain what has led to this very strong gross margin during the quarter? And how sustainable this would be? So that's my first question.

Pranav Amin: Thank you for the comments. The gross margins were good. I think a couple of things have led to this. One is increasing sales and revenue for the U.S. business. Number two, if you see our R&D costs are also optimized. Along with that, we have some other cost optimization. The facilities were occupied. So all this led to a higher gross margin. And I believe, these kinds of margins are sustainable moving forward.

Damayanti Kerai: Okay. Just a clarification. So you said higher U.S. sales could be one of the factors contributing towards it. But quarter-on-quarter, when we look at the gross margin, I guess, U.S. is sequentially down, right? So -- is there any element of like stocking up there?

Pranav Amin: No. no element of stocking. It's just, last quarter, we had some more onetime buyers, this quarter the volumes are little higher so facilities are better occupied.

Damayanti Kerai: Okay. So better utilization of facilities is a main reason if we have to continue.

Pranav Amin: Yes.

Damayanti Kerai: And R&D, like after bringing it down to below INR500 crores for this fiscal, how should we look at R&D expense ahead?

Pranav Amin: From this level onwards, we will continue growing it. Next quarter, I think to an absolute amount, we will grow it. I would expect anywhere between INR 550 crores to INR 600 crores for the next fiscal, depending on how the projects go.

Damayanti Kerai: Okay. And my last question for the U.S., you said now outlook is better with like plants getting better utilized. So this fiscal, we saw U.S. ranging from in say 50 to 55, 56 a quarter. So should we improve significant step-up in FY '25 and beyond in terms of sales from the U.S. business?

Pranav Amin: Well, we are expecting to launch about 25 products in the U.S. So I anticipate that we would like grow the business from here onwards. Percentage depends because there will be a factor of price erosion in the existing portfolio versus how much traction we can get in the new products. But our goal is to grow the business from here on itself.

Damayanti Kerai: Is 25 launches for this fiscal?

Pranav Amin: For the fiscal year, yes.

Moderator: Next question is from the line of Forum , Individual Investor.

Forum: Congratulations on the numbers, and I have a couple of questions. So my first question is, with geographies, do we plan to penetrate and expand in FY '25 for ex U.S.?

Pranav Amin: **in** most of the geographies we are present and it's on our investor presentation and also on the website. Our biggest territory is the U.S. followed by the ex-U.S. business mainly in Europe, Australia, Canada, Brazil and South Africa.

Forum: And how do we see this business growing in FY '25?

Pranav Amin: We don't give a guidance. But generally, if you see our ex-U.S. business over the last 5 years is at a 20% CAGR, and that should continue. The U.S. is a little in terms of CAGR, it depends year-to-year. This year, we've grown by 10%.

Moderator: Next question is from the line of Vipul Jain from Arihant Capital Markets Private Limited. Please go ahead.

Vipul Jain: So in the price realization decline in API, what do you think about that? Is it going to sustain or this is the...

Pranav Amin: We have a very good quality API business with all regulated market customers. And I've said in the past also and if you can see that we like to compete at a higher level. We focus more on compliance and better quality. Having said that, there has been some more pricing pressure in the market. Nothing we can do about it. But it's still a very good margin business for us. The API margins are quite high, and it will continue growing.

Vipul Jain: And also, this has been led by volume or product mix? How can we expect?

Pranav Amin: For the API business?

Vipul Jain: Yes, sir.

Pranav Amin: API is a combination of both. We're growing in terms of volumes as well as new products.

Moderator: Next question is from the line of Abdulkader Puranwala from ICICI Securities. Please go ahead.

Abdulkader Puranwala: Sir, just from an FY '25-'26 perspective. So R&D was something what you are able to cover in '24, so when you look forward, I mean, what are the few key priorities when we look forward for growth or in terms of cost optimization, which the management would be targeting for the near future?

Pranav Amin: Sure. Yes. it's a good question. What will happen R&D-wise, historically, all our approvals and bulk of our R&D spend was on oral solids. If you see now, it is gradually more part of it has gone towards injectables, complex injectables, derm, ophthalmic and a little bit of inhalation and oncology. So we move towards that. In future also, for R&D investments, what we've done is we have reduced R&D because we cut out some projects because the returns had come down in the U.S. market compared to 5 years back.

So we've optimized our portfolio. In terms of cost optimization, not just R&D, but across the board, what we're looking at is, as I mentioned, better utilization of our facilities, higher batch sizes, better volumes, given the facilities are better occupied.

Abdulkader Puranwala: Okay. Sir, in terms of the margins, would you like to guide number for '25-'26 in terms of what is the kind of expansion we should see because of this optimization?

Pranav Amin: We don't really give a guidance, so sorry about that.

Abdulkader Puranwala: Sure, sir. And sir, one more question on the India business. So this quarter, growth was largely not impacted because of the acute therapy, but for the next year to -- I mean, how should we look at your India growth? Would it be in line with the market or slightly ahead of that? And in terms of your field force, are you looking to add further this year?

Shaunak Amin: From a India business point of view, we continue to maintain that if the market continues to perform normally, we should expect outperformance, like I said, in almost all our product/ key product therapeutic areas. We maintain as long as the market shows some kind of signs of returning to normalcy. They are quite confident on that piece at least. And consistently, outperforming the market in all our therapeutic segments. That's something we are quite confident to deliver this year.

Abdulkader Puranwala: Sure sir, I understood...

Shaunak Amin: On this year, there's been no manpower expansion in the India business, just some routine manpower adjustments, there is no actually manpower expansion.

Moderator: Next question is from the line of Bharat from Equirus Securities. Please go ahead.

Bharat Celly: Sir, just wanted to understand on gross margins...

Moderator: Bharat, sorry, we are losing your audio. Can I request you to come into the reception area, please? The next question is from the line of Rashmi Shetty from Dolat Capital. Please go ahead.

Rashmi Shetty: Just on the gross margin, you said that the gross margin will be sustainable. So in quarter 4, we did around 75% gross margin, but for the full year, we did around 72%. So which number is sustainable with 72% or 75% what we did in quarter 4 for FY '25?

Raj Kumar Baheti: In the past that we'll be happy with our kind of product mix and the territory mix, we'll be happy with about 70% margin. More or less, we have been maintaining it.

Rashmi Shetty: Sorry, sir, I didn't get what is the number which you called out?

Raj Kumar Baheti: We will be happy with 70% gross margin, and we have been maintaining that.

Rashmi Shetty: Okay. Okay, sir. But any geopolitical risk or you are thinking of your supply volume in terms of cost increase? Anything in FY '25, we would like to call out.

Pranav Amin: No, I think nothing on the geopolitical side. All our facilities are in Baroda in India. So no issues there. We have just seen a little bit disruptions in terms of the shipping due to the Middle East, apart from that, nothing else.

Rashmi Shetty: Okay. And my second question is related to the U.S. business. Before, how many launches we have done? And what kind of price erosion on an average we have seen.

Pranav Amin: We've launched 27 products in the U.S. Start of the year, we had guided for about 25 or around that. We've launched 27. Next year, we expect to launch another 25 or so. Price erosion is there. It's tough for me to give that figure because it's very tough to calculate price erosion. But as it is, it will be in high single digits or low double digits, somewhere around. It depends product to product. Some products, it's still higher and some is more stable.

Rashmi Shetty: Okay. Got it. sir, what I want to understand that we already have 147 products in the U.S. We have banked up $280 million to $310 million in this U.S. market. So roughly, revenue for all products, I mean average we're doing around $1 billion, $1.5 billion because I understand that we have launched many products and that could gain share in FY '25, and plus price erosion is also high single digits, plus we are also adding another 25 products. So don't you think that we would be actually able to do double-digit sort of growth in FY '25. I mean in U.S., we can see a big growth coming in?

Pranav Amin: I agree with these kind of launches, we should see a decent growth, in my opinion. Having said that, the one unknown or the variable is the price erosion. I don't know how the price erosion is going to fare on some of the high-margin products. As you know, we do like to get higher margin rather than pure volumes. And that's a strategy that we've built in the U.S. business that we focus more on the profit and the higher prices rather than the margins. It really depends. If there is erosion in some of the high-value products for us, and it gives away lot of the margins.

And we continue looking -- we continue to look for short-term opportunities as well. So sometimes there are supply constraints. We do get a bump up. So it's a combination of that.

Rashmi Shetty: Okay. Sir, another question, last question is on capex. What will be the capex investment in FY '25? And what will be your tax rate?

Pranav Amin: We've come off a large capex cycle last couple of years. So we have no further like brownfield or greenfield expansions. At the most what we will do is within the existing facilities maintenance capex and capacity debottlenecking. So I anticipate capex should be about INR300 crores or so.

Rashmi Shetty: Okay. And tax rate for FY '25.

Pranav Amin: Sorry, I couldn't hear that what you say?

Rashmi Shetty: Tax rate

Raj Kumar Baheti: We will continue to be under MAT and the tax rate will be around 17%.

Moderator: Next question is from the line of Nihar Gupta, individual investor. Due to no response. We move onto the next participant. Next question is from the line of Agraj Shah from Tata AIA Life Insurance.

Agraj Shah: Okay. So 3 questions more like clarification from what we had guided last quarter. So firstly, on the U.S. side, we are kind of mentioned that for FY '25, we expect 10 to 15 launches. And now we are guiding more than 25 launches. So what's helping giving us that confidence and what changed during the quarter?

Pranav Amin: It is not the question of confidence. We've measured how many approvals that you get an API products were launched. We don't always launch if the product is late. We don't always launch it on day one of the approval. So it is sometimes just bundles up and we launch them together. So just a question of how many approvals that we get and when we launch it. The confidence that we have in launching more products this year is we're seeing the pipeline of products that are pending and what we expect from the target action date. So also our facilities, as I mentioned, there's no regulatory overhang. So those approvals, and the new filings should also flow through.

Agraj Shah: Okay. Got it. And my second question was on the U.S. base. So last quarter, again, we had guided that $57 million was a new base. And this quarter we already reported on $51 million, but probably you said that there was some one-off kind of an opportunity last quarter. So if you can just clarify that what changed there?

Pranav Amin: It's tough to give a guidance for the base business. The best way of seeing it is what's happened last couple of quarters. $50 million plus is what we're looking at. Q3 was a little higher. We did have some more onetime opportunities in the market. But I guess what we see now could be the base, and then we build it up from there.

Moderator: Next question is from the line of Desai from Turtle Capital Management. Please go ahead.

Desai: So my first question is, if you go back in time, I think 3, 4 years back before a certain opportunity and the capex, I think with the 72% gross margin, you were doing 20% plus kind of operating margin. So considering that we are doing now complex generics in the U.S. market, is it a fair assumption that as operating leverage kicks in we will go back to those kind of numbers. I'm not saying this time line, but directionally, is that the right way to think?

Raj Kumar Baheti: Your observations are right, but you must also appreciate the fact that we have commercialized 4 new facilities and the the yearly expenses on these 4 facilities are about INR300 crores, including the depreciation. So that charge is hitting my P&L, whereas the revenue from these facilities are still very small. So more products get approval and the products get traction in the market, you will see a better improvement in margin scenario.

Desai: Right, sir. I'm talking about when all these facilities are optimally utilized, not saying next quarter or 2 quarters, I'm saying 2, 3 years anywhere?

Raj Kumar Baheti: We hope to be again back to 20% plus kind of margins because we get this traction from these facilities.

Desai: Okay. And we spent around INR2,000 crores on these facilities. So what kind of asset turns that we were thinking earlier? I think at that time the U.S. generic market context was slightly different. So given the situation today have we kind of changed our assumption on that, if you can talk little bit about that?

Raj Kumar Baheti: Yes. The buoyancy in the U.S. generic market has gone down. But let's say, this market is little cyclic. I mean, if our facilities are compliant, if our supply chain is smart, nimble, we'll keep finding opportunities and we'll keep what we call seizing those opportunities as and when they present themselves.

Desai: So is it safe to assume [2x as a ton or this facility or that's on the higher side?

Raj Kumar Baheti: As of now, it’s is a hypothetical question and it’s a little distinct period of question, so I won't comment on it.

Moderator: Next question is from the line of Vivek Jhala from Jhala Investment Advisory. Please go ahead.

Vivek Jhala: Sir, I have recently started tracking the company. I basically have 3 questions in regards to the U.S. business. First is, if you could please give some information on how the new launches have been performing in the past few quarters?

Pranav Amin: Yes. New launches have done pretty okay. It depends product to product. As I mentioned earlier, Alembic, we focus more on trying to get the maximum margin rather than getting market share for the sake of getting market share. So it depends on the competitive scenario in each product.

And we like to get ready and be there. And when we -- as Mr. Baheti said, when we see shortages, that's the time when we ramp up our market share. So it's gone satisfactorily. We're waiting and seeing, wherever we can get more opportunities, we do have a robust supply chain, we'll try getting -- picking up additional shares.

Vivek Jhala: Second question is how optimistic are we in regards to our performance in U.S. in FY '25?

Pranav Amin: We're fairly optimistic as compared to a year back, U.S. had come off a massive price erosion and there's a lot of gloom in the market. Compared to that, I feel a lot more bullish now, especially with the new facilities coming up on stream, the new approvals coming up and the launches that we have. So while there is pricing erosion and the market is -- there is a lot of buying on the buying side, which is driving on prices. But there are still opportunities if you run a good business.

Vivek Jhala: Okay. And what would be our focus therapies in the U.S. for FY '25?

Pranav Amin: It's a generic business. So we don't go therapy wise. It's just on the capability-wise, and our capabilities were part of our oral solids, increasingly, you've seen more approvals on injectables, on oncology, on ophthalmic, and derm as well.

Vivek Jhala: Okay. And just the last one. Are we observing any price erosion in injectables?

Pranav Amin: Yes. In the U.S., we're seeing price erosion across the board everywhere.

Moderator: The next question is from the line of Bharat Celly from Equirus Securities Private Limited..

Bharat Celly: Congrats on the great set of number. Just wanted to understand on the gross margin part, we have seen almost like 400 bps improvement sequence to quarter-on-quarter. So I just wanted to understand what exactly led to this margin improvement?

Raj Kumar Baheti: quarter-on-quarter, it's never a good sign of doing a comparison. A whole year comparison is much better, more balanced. And as I said, the gross margin hovers at around 70% plus, and we are happy about it.

Bharat Celly: Okay. And on pricing pressure in the U.S., so how do you see this pricing pressure to pan out in next year or probably years to come? And how do you see this shortage within the U.S. market? Is it largely led by people stopped pruning with existing portfolio because of low margin? Or is there something else to read out?

Pranav Amin: Bharat, those questions are very hard to predict because I don't know what's going to happen in terms of the price erosion in the market or the other bit. Because it really depends on the competitive pressure where people go, how they lead to how much that drop prices, how aggressive a player is in the market. And shortages also depends on a factor if someone's supply chain is working and someone has a regulatory issue. So it's very tough to predict those. But however, we like to stay ready for whatever opportunities we see in the market.

Bharat Celly: Right. And sir, just what I was trying to understand whether these shortages are because of some shortages in the market -- sorry, because of some regulatory issue or people are pruning that portfolio?

Pranav Amin: I think not so much pruning the portfolio, yes, pruning the portfolio will be there, but it's just a matter of, one, the regulatory actions, And number two, would be just them being able to manage the supply chain. As you know, the U.S. is large volumes, and it's quite dynamic. And sometimes if they're not able to manage the supply chains for whatever reason, then you may see some shortages.

Bharat Celly: And I understand we can't share geography-wise margins, but what I'm trying to understand is what sort of margins will be there for a product where the competition will be, let's say, almost too intensive like almost like 10 players whereas the margins are below -- gross margins are below 40% in those cases or it will be higher? Just directionally, I'm trying to understand.

Pranav Amin: It's very tough to generalize. We as I said, we don't give product-wise guidance. It's very tough to generalize, right? It depends on how efficient you are on any product, how much you are backward integrated on, whether you are backward integrated on the API, what kind of scale do you have? So it's very tough to say it depends product to product.

Bharat Celly: Actually, I was trying to understand more from the perspective whether these products are turning negative or, let's say, unviable at a gross margin level also? Or it is just at EBITDA...

Pranav Amin: We generally don't like to sell anything at a negative margin.

Bharat Celly: Okay. Okay. And lastly, this quarter, we have seen that acute has been prepared. What has been the reason for that acute therapy the domestic business?

Pranav Amin: Sorry, what do you say?

Bharat Celly: So acute therapy for this quarter in the domestic business has been weak. So what led to it? Is there any reason.

Shaunak Amin: Yes. If you look at the base of '21-'22 and '22-'23, that gives a clue as to why the base has been weak. So it's predominantly driven by that.

Bharat Celly: So as far as I remember, in the past year, we had a super growth -- sterile growth in Azithral. So that is the main cause of tepidness for this quarter?

Shaunak Amin: Like I mentioned in the call in my opening statement, both antibiotic basket and the respiratory basket are predominantly more gravitated towards the liquid preparations in both antibiotic and respiratory. And yes, Azithral would be a significant chunk of that.

Bharat Celly: Right. And last one from my end before I move the queue. On the U.S. business, you mentioned that in the past quarters, we have seen some onetime supply. So in the fourth quarter, was there a onetime supply or it was completely base business which we have seen?

Pranav Amin: It was just the regular base business.

Moderator: Next question is from the line of Tushar Manudhane from Motilal Oswal. Please go ahead.

Tushar Manudhane: Sir, just on the Animal Health business, there has been a very good scale up. Even fourth quarter, we ended doing almost 30%- 34%. So just to understand here what is it that is rising, is it more volumes or is it regional expansion, if you could elaborate?

Shaunak Amin: No, it's a mix of both. Last financial year, we have added additional division in the wet business in the livestock segment. And it's a combination of that plus I think our performance, which you see. So there's a trend line both in the last 3 years, which shows that we continue to perform and maybe the rate of growth keeps accelerating because it's a combination of both, quantitative expansion as well as qualitative operational execution going up.

Tushar Manudhane: So the benefit of this new division is now fully reflected in the numbers or we are yet to see the entire benefit in coming quarter.

Shaunak Amin: We have started seeing good impact on that, but continues to play out even this year as well as next year, I think.

Tushar Manudhane: Sir, broadly, how much investment you would have done in this Animal Healthcare -- Animal Health segment till date?

Shaunak Amin: In terms of investment in terms of manpower?

Tushar Manudhane: Both manpower and if any of manufacturing, if you do in-house?

Shaunak Amin: Manufacturing with a combination of internal as well as external third-party suppliers. So there's no additional capex expenditure from that point of view. And in terms of manpower strength, like I mentioned in the investor slide, 280 people in the business in the last financial year.

Tushar Manudhane: Understood. And lastly, on the specialty segment, also year-on-year, if I look at it, it's 5% growth. I understand seasonality and higher sales of some select products in the previous year impacted acute, but specialty also has been quite moderate. Any particular reason you would like to attribute?

Shaunak Amin: No. even the whole IMS performance in the last 4 months has been quite subdued. It's just a factor of that.

Tushar Manudhane: In fact that -- so at the industry level, what do you -- what kind of numbers are we thinking of for FY '25 at the industry level in terms of growth?

Shaunak Amin: It's very hard for me to make a comment on the overall industry growth. But I expect this base impact of previous years to get moderated out rather most of it has got moderated out in the '23-'24. So I expect '24-'25 to be more towards a normal year in terms of growth. You can expect maybe anywhere from mid- to high single-digit performance for the overall market next year.

Tushar Manudhane: Understood. And lastly, on gross margin, has there been -- so as you also witnessed in the API segment in terms of the price erosion. So is that also benefiting us on the formulation side and so partly driving better gross margins? And subsequently, is it sustainable?

Pranav Amin: No, actually not really because most of the API we sell to -- is 2 separate things, right? This APIs all to regulated market customers all over the world. It's one and the other. I said in the last call that some of it is a little lumpy because it had to go with a few particular customers and then there's a little lower offtake. That's one of the reasons.

Moderator: Next question is from the line of Saion Mukherjee from Nomura. Please go ahead.

Saion Mukherjee: Pranav, Just one question. On you comment on price erosion in the U.S. I mean high single-digit, low double-digit digit seems to be on the higher side. in the backdrop of disruption and shortages that most people talk about. How are you reading the scenario? I mean, why are we not seeing better pricing environment? And your comment also seems like it's uncertain in terms of how the prices will evolve. So any comments there? How are you reading the dynamics given that you have a large portfolio and across formulations, you are present?

Pranav Amin: The way I've seen the dynamic is compared to about 5 years back, the market is much better supplied than what it used to be.

We do have a very high supply percentage that do on time. But the market generally is a better lot more, a lot more players with a lot more product in the market.

So that is one of the reasons why I'm saying this. Number two, compared to about 2 years back, I'm saying the erosion is less because about 2 years back, we had a whole bunch of that Sartan portfolio, which we are selling at very high prices due to some short-term benefits. So that has really come down. Having said that, I still see price erosion. It really depends how aggressive the competitors are and to get market share. Number two, on the buying side, nothing has changed, right? Your buyers still remain the same. So they can try negotiating harder whenever they can. It is a buyer's market.

Saion Mukherjee: Understood. And just one last one on the U.S. itself. You have launched 27 products last year. How have you seen pricing on these products or these new launches? Are they better then what the trend has been in the past or versus your expectation or the erosion has been higher, I mean, for the new launches...

Pranav Amin: It depends on product to product. On some injectables, it was fairly good and much better than what we anticipated on the rest. We're seeing that buyers do look for sometimes a reliable supply partner, which we've been able to build ourselves up. So it's been a mixed bag. By and large, we've been okay. The portfolio gets to where we thought it would, but it's balanced across. So it is very tough to predict which ones I'll actually end up with a better margin and which one with a lower erosion.

Moderator: Next question is from the line of Nitin Agarwal from DAM Capital Advisors. Please go ahead.

Nitin Agarwal: Pranav, where do you see the R&D expenses as revenue settling down over the next 2, 3 years?

Pranav Amin: I just said someone had asked earlier. For this financial year, FY '25, I see that R&D should be anywhere between about 550 to 600 in that range, somewhere around that range.

Nitin Agarwal: And this is where you see it settling in general...

Pranav Amin: No, no. I think marginally it will keep going up, right? As the business goes up as -- so we will keep increasing. And within R&D, the spends will get reallocated. So as I mentioned that from OSD, we'll spend a little bit more on injectables on complex injectables, ophthalmic, derm, so that will get balanced out. And also part of it will go to the other territories. We've recently been spending a little bit more on the rest of the world territories as well.

Nitin Agarwal: And does this change in R&D strategy, does it really imply any large chunks of capex also over the next 2, 3 years?

Pranav Amin: No. On the R&D side, there's no large capex at the most it will just be maintenance capex and equipment upgrades, but no large capex on the R&D side.

Nitin Agarwal: What I meant is for the products that we're looking to produce in shifting focus now from a new product perspective. Does that imply any meaningful expenses on...

Pranav Amin: Not on the R&D side, whatever expenses we have to incur, we've already done it in terms of R&D as well as the plant side. So the bulk of it is already done.

Nitin Agarwal: Secondly, Mr. Baheti, how should we think about our overhead costs from here on? I think they've been a little volatile after the big plants are all out in the base now. Should we be looking at what inflation driven sort of price hikes in our overhead going forward?

Raj Kumar Baheti: Yes, as I said in the beginning, '23-'24, it seems to be a normal year. And from here, comparison will be much more easier to do.

Nitin Agarwal: Okay. And lastly, Pranav the U.S., the 25 product launches that you're talking about, I mean, are there any assured sort of exclusivity – semi-exclusivity position for you that will play out during the year?

Pranav Amin: No, I think nothing of that sort.

Moderator: Ladies and gentlemen, we will take that as the last question. I'll now hand the conference over to Mr. R.K. Baheti for closing comments.

Raj Kumar Baheti: Thanks. I think there are a couple of other guys in the queue. We could not take it just because we were running out of time, I would request them to send a mail to me and we'll be able happy to respond to you.

In the meantime, thank you very much for attending this call as usual. As always, it's a pleasure talking to all of you, with just a lot of insight and levelling and look forward to your continued support in the coming year. Thank you.

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